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NEWS SUMMARY

GENERAL

General strike in Poland today

A four-hour general strike in Poland will go ahead today. Talks between the Government and Solidarity, the independent trade union movement, were postponed yesterday and will take place during the stoppage.

Prime Minister Wojciech Jaruzelski met Cardinal Stefan Wyszynski, the Polish Primate, to discuss ways of overcoming social and industrial tension.

Solidarity is demanding that the assailants of three union activists be brought to justice, recognition of rural Solidarity, and an amnesty for dissidents. Back Page: Moscow may step up troops, Page 2

Maze candidate

Hunger striker Bobby Sands is to fight next month's Fermanagh-South Tyrone parliamentary by-election from his Maze prison hospital bed. In Dublin, supporters of the H-block campaign tore down a 15 ft monument commemorating Queen Victoria's 1900 visit.

Guerrilla threat

A group claiming to represent the gunmen who seized London's Iranian Embassy last May threatened reprisals against Britain unless surviving guerrilla Fonzi Nejad is released.

March draws ½m

Nearly ½m farmers and industrial workers marched on the Indian Parliament with demands ranging from higher crop prices to ending detention without trial.

Mugabe invited

Margaret Thatcher invited Zimbabwe Prime Minister Robert Mugabe to visit Britain.

Angola warning

The Organisation of African Unity warned the Reagan Administration that its proposed military aid for rebel forces in Angola would violate the country's sovereignty and the UN charter.

Purge on waste

President Reagan created a special committee to combat waste and fraud in government, saying he aimed to "root out every incompetent and prosecute any crook."

Palace blast

A bomb at the Honduras legislative palace injured three as 1,000 student teachers gathered to demand Government recognition of their schools.

Windscale fear

A maintenance worker at Windscale nuclear power station is under medical surveillance after a check showed he may have absorbed a higher than normal radioactivity level.

Hong Kong curb

Hong Kong is to deploy more troops along its border with China and issue new identity cards in an attempt to curb illegal Chinese immigration. Lord Carrington to visit colony, Page 4

Bottle ban plan

Drinks at London sports events should be served in plastic cups, the GLC's public services and safety committee said.

Solicitors' sit-in

Solicitors staged a sit-in at a magistrates' court in Barnsley, claiming their retiring room is like "the Black Hole of Calcutta."

Briefly...

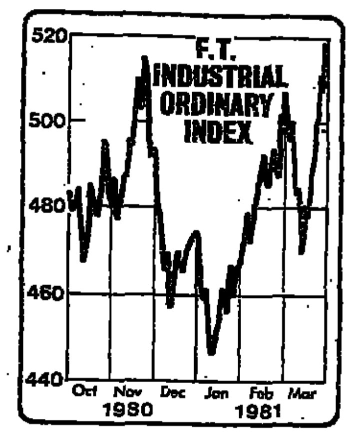
Schoolboy armed with a crossbow held an Exeter hotel to seige for four hours.

Royal Navy's last cash-in-cap wage payout went to Steven Wilson at Devonport.

BUSINESS

Equities reach 22-month high

● EQUITIES reached a 22-month high on economic recovery hopes and Wall Street's overnight advance. The FT 30-share index gained 11.5 to 518.9. Page 42



● GILTS were stronger. The Government Securities Index rose 0.37 to 70.18. Page 42

● DOLLAR finished around its firmest level of the day, rising to DM 2.11 (DM 2.0845), Y211.25 (Y208.80) and SwFr 1.92 (SwFr 1.9025). Its trade-weighted index was 99.7 (99.5). Page 34

● STERLING closed 1.25 cents lower on the day at \$2.2505. Its trade-weighted index was 100.9 (100.6). Page 34

● GOLD rose \$11 to \$539.50. Page 34

● WALL STREET was down 7.93 to 1,007.29 near the close. Page 40

● FIRST UK index-linked gilt stock is expected to be over-subscribed when the offer closes this morning. Back Page

● OPEC countries have started to channel increasing amounts of surplus cash to banks in Comecon countries, according to an OECD Report. Back Page: OECD sees upturn in borrowing, Page 31

● IVORY COAST is raising a \$250m eight-year credit in the Euromarkets, at last part of which will be denominated in Special Drawing Rights. Page 31

● TINY ROWLAND will make his bid for The Observer through Lonrho rather than attempt to acquire a half share of the newspaper himself. Back Page

● STEEL IMPORTS BAN on Creusot-Loire, the French engineering and steel group, was lifted by U.S. Administration after the French Government certified that steel produced by the company does not contain Cuban nickel. Back Page

● BL and PEUGEOT signed a deal for the UK group to assemble and market the Peugeot 505 car in Australia. Back Page

● UK PUBLIC SPENDING total in 1980-81 is likely to be about £2.1bn more in cash terms than proposed in last year's Budget. Page 10

● STOCK EXCHANGE asked about 15 companies to explain why their latest preliminary profits figures excluded a current cost accounting statement. Page 8

● SEAGRAM of Canada, the world's largest drinks group, won another round in its \$2bn takeover battle for St. Joe Minerals, the U.S. lead producer. Page 31

● COMMERZBANK, West Germany's third largest commercial bank, reported 1980 net profits 76 per cent lower at DM 33.8m. Page 32

● ALEXANDER HOWDEN GROUP, insurance broker and underwriting agency, reported 1980 pre-tax profits marginally lower at £20.01m (£20.12m). Page 27; Lex, Back Page

● KLEINWORT, BENSON Lonsdale, merchant banking group, reported 1980 net profits up from £12.1m to £19.02m. Page 26

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Exch. 12¼% 1999 B	£93¼	+ ⅞
Assoc. Newspapers	283	+ 10
BOC Int.	126	+ 5
Bemrose	39	+ 5
Berkeley Hambro	265	+ 15
Bestobell	398	+ 24
Blue Circle	420	+ 14
Boots	244	+ 6
Bowater	238	+ 13
British Aerospace	191	+ 5
Brown (J.)	85¼	+ 7
Bunzl Pulp	141	+ 14
Church	177	+ 12
Coates Bros. A	51	+ 8
Dowty	284	+ 9
Fife Forge	55	+ 14
Grand Met.	191	+ 8
Hambro Life	352	+ 7
Kleinwort Benson	284	+ 12
Ladbroke	293	+ 7
Lane (Percy)	43	+ 5
Lex Service	107	+ 6
Manders	162	+ 8
Mixconcrete	74	+ 7
Philips Lamps	375	+ 12
Racal Elec.	375	+ 10
Ryl. Bk. of Scotland	147	+ 7
Tube Invs.	208	+ 8
Turner and Newall	83	+ 6
Wearwell	88	+ 9
Berkeley Exploratn.	307	+ 17
Global Natural Res.	615	+ 50
KCA	199	+ 11
Minorco	695	+ 60
Tanks	338	+ 13

FALLS

Brown and Jackson	70	− 12
Ricardo	478	− 20
Sanderson Murray	24	− 3
Silkolene	255	− 23
Ashton Mining	130	− 8

Thatcher launches security review following MI5 accusations

BY MARGARET VAN HATTEM

THE PRIME MINISTER has launched a comprehensive independent review of Britain's security procedures following fresh allegations this week of infiltration by the Soviet Union of the secret services in the post-war years.

In a statement to the Commons, Mrs. Thatcher said she had asked the Security Commission, headed by Lord Diplock, to review security procedures and practices in the public service, and to consider what, if any, changes were required.

Techniques of penetration by foreign powers had changed since the last independent review in 1961, she said, and Britain needed to ensure that its protective security procedures had developed to take account of new risks.

The terms of reference of the review would enable the Commission to recommend changes in arrangements and procedures in all parts of the public service to counter penetration by hostile intelligence services. And in vetting procedures to prevent appointments of those who might be susceptible to pressure or blackmail.

Mrs. Thatcher's statement was prompted by the publication this week in the Daily Mail of extracts of a book by Mr. Chapman Pincher. They contained the allegation that the late Sir Roger Hollis, former head of the Security Service MI5 was suspected of being a Soviet agent and had never been wholly cleared. Mr. Pincher's book was published yesterday.

Mrs. Thatcher is believed to have first heard of the allegations while attending an EEC summit in the Netherlands on Monday and Tuesday. Her long detailed statement to the Commons yesterday indicated the seriousness with which the Government is treating the affair.

Mrs. Thatcher said that the book contained no information new to the security services. "Some of the material is inaccurate or distorted," she said. "All the cases and individuals have been the subject of long and thorough investigation."

Referring to the charges against Sir Roger, she said the investigations did not conclusively clear his name. However, although it was impossible to prove his innocence, no evidence was found that incriminated him. Mrs. Thatcher fully supported the conclusions of Lord Trend, a former Cabinet Secretary, who conducted a full investigation into the case, and decided Sir Roger was not a Soviet agent.

It is not yet clear whether Mrs. Thatcher's action in calling for a security review will be effective in preventing the development of yet another damaging and embarrassing scandal. MPs looking at the implications of her statement yesterday expressed dissatisfaction over what they considered an inadequate assessment of Sir Roger's role, and suggested that the Government was not altogether convinced of his innocence.

Continued on Back Page
Statement details, Page 10
Men and Matters, Page 24

Social Democrat Party launched

BY RICHARD EVANS, LOBBY EDITOR

THE SOCIAL Democratic Party yesterday formally launched in London and throughout the country in an attempt to change the face of British politics.

The party's collective leadership intends to build up membership at grass-roots level over the next 12 to 18 months and to fight about 300 of Parliament's 635 seats at the next General Election. The party believes that, aided by a pact with the Liberal Party it can break the present two-party strangle-hold on British politics at the first attempt.

Whether the euphoria present at the massive London launch and Press conferences at regional centres is justified remains to be seen. But there is evidence that both Conservative and Labour leaders are becoming increasingly alarmed at the inroads the new party could make into traditional voting loyalties.

Much will depend on the development of a two-stage alliance with the Liberals, firstly on broad policy agreements and then on the division of seats to be contested in local elections, by-elections and the next General Election.

Mr. David Steel, the Liberal leader, presented the infant party immediately after its launch with a three-month deadline for an agreement on policy, which would then be put to his party assembly at Llandudno in September.

The Social Democratic Party (SDP) collective leadership of Mrs. Shirley Williams, Mr. Roy Jenkins, Dr. David Owen and Mr. William Rodgers, accepts the need for a pact with the Liberals. But they are unlikely to have formulated detailed policies by Mr. Steel's summer deadline.

Yesterday, they were deliberately vague about policy and they do not intend to adopt too many specific commitments.

The launch, amid much ballyhoo at London's Connaught Rooms came nine weeks after the Gang of Four made their Limehouse declaration signalling their break with the Labour Party. Circumstances forced them to form a separate party much earlier than planned.

After the London launching, the SDP leaders departed for Press conferences throughout Britain.

It was a slick performance attended by about 500 journalists and more than two dozen television crews—an indication of the interest generated throughout Europe and further afield by the prospect of a new party and a possible realignment of the British political system.

Mr. Roy Jenkins, apparently filling the role of elder statesman, spoke of "the biggest break in the pattern of British politics for at least two generations." He said the essential aim was to get away from the politics of outdated dogmatism and class confrontation.

Mrs. Williams was guardedly optimistic about the new party's prospects. "We stand a chance together with the Liberal Party of wining a majority of seats and I believe this is the best thing that could happen to this country," she declared.

Mr. Jenkins and Mrs. Williams were flanked by 13 of the 14 MPs who have moved to the SDP, including Mr. Christopher Brocklebank-Fowler, so far the sole Tory to join.

Speculation that there might be further parliamentary recruits for the SDP on launch day were not fulfilled, but more are confidently expected in the coming months from the Labour Party as re-selection takes place. From the Tory ranks two new adherents are expected if Mrs. Thatcher's economic strategy does not succeed.

The SDP claims to have had 30,000 offers of support and it has spent most of the £175,000 already subscribed on the launch and on Press advertising to attract new recruits.

There is no fixed subscription, but the party is appealing for about £9 per member to set up a fighting fund for the next election. Its logo is a bright red and blue SDP on a white background.

The major practical difficulty facing the party is to establish an organisation from several on the ground. It also has to try to maintain over another two years or more until the next General Election the momentum developed since last October's Labour Party conference, when a split finally became inevitable.

In public, Conservative and Labour leaders continue to write off the new party, but privately, many senior politicians are worried about the potential appeal of a combination of Social Democrats and Liberal candidates.

The launch was accompanied by the publication of a bland policy document listing "12 tasks for Social Democrats" and including the priorities of electoral reform, support for the mixed economy, fairer distribution of wealth and more racial and sexual equality.

Mr. Steel, speaking at the Scottish Liberal conference at Galashiels, stressed that he was not interested in seeking an electoral pact with the new party.

Instead, he favoured a joint policy agreement, a joint election campaign and joint agreements on constituency candidates. "This involves the swallowing of some pride on both our parts," he said.

"Time is not on our side. We have two or three years to get together an alliance capable of presenting such a radical programme . . . we must agree this programme within the next three months."

Officials of the 12 constituencies represented by former Labour MPs who have joined the SDP issued a statement yesterday calling on the MPs to resign their seats and to fight by-elections under their new colours.

Policy document and reaction to new party, Page 11
Editorial Comment Page 24

Roger Taylor

Mr. William Rodgers and Mrs. Shirley Williams at the launch

MAIN POLICY POINTS

The development of detailed SDP policies will take place gradually with the help of policy groups as membership grows, but the party has set itself policy tasks. There are:

● A reformed and liberated political system without the violent lurches of policy and class antagonisms of the present two party system.

● Fair elections based on proportional representation.

● A consistent economic strategy not disrupted every few years by political upheaval.

● The creation of jobs by introducing training programmes for school leavers and encouraging small- and medium-sized businesses.

● Positive support for the mixed economy and more democracy at work through profit sharing co-operatives.

● Developing a balance between the capacity of market forces to create wealth and its fair distribution.

● More decision making at local level and reform rather than abolition of the second chamber.

● Improvement in the quality of welfare services, housing and education.

● Greater protection of the environment.

● Greater equality for women.

● A fairer multi-racial society.

● Greater international cooperation, a full role in the European Community and NATO, support for multilateral disarmament and more aid for the Third World.

A media event to recall

By Elinor Goodman
Lobby Correspondent

BY SEVEN O'CLOCK last night Mrs. Shirley Williams had given seven television interviews, at least a dozen radio interviews, and three Press conferences, and had left a trail of niceness across 700 miles of Britain.

She had met actually only a handful of the people who will eventually form the grass-roots of the new party. However, yesterday's launch was primarily a media occasion aimed for maximum exposure at peak times.

Mrs. Williams' role was to present the human face of the Social Democrats' collective leadership. To this end she flew around Britain in a kind of breathless rush, giving Press conferences in Birmingham and Edinburgh and in the air between the two.

At every point she was photographed. Even her lunch, an appropriately wholesome sandwich made with wholemeal bread, was recorded for posterity and by the end of the day she was beginning to look like a caricature of herself. Her always slightly crumpled brand of chic was beginning to look even more dishevelled.

From the start of the breakfast Press conference in London it was clear the launch was going to be a media event to be remembered—somewhere between a U.S. primary and one of Mrs. Thatcher's election Press conferences.

Foreign camera-crews who had not been back to London since the Iranian embassy siege tripped over each other. Security men with two-way radios mingled in the crush along with young, immaculately turned-out men who looked as if they had come straight out of Senator Edward Kennedy's office.

In fact they were from Dewe

Continued on Back Page

Lucas may axe 4,500 jobs

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

LUCAS INDUSTRIES, the automotive and aerospace components group, warned yesterday that up to 4,500 jobs may go in its automotive operations—a cut of nearly 10 per cent. This follows a reduction of 4,400 jobs in the same sector since last August.

The company announced a pre-tax loss of £27.47m for the first half to end January compared with a profit of £12.32m in the same period last year.

The extent of Lucas's setback, due to the sharp drop in the automotive sector, caused surprise among City analysts.

Mr. Godfrey Messervy, the chairman, predicted an improved result during the second half.

"We consider that the steps now being taken will return the company to profitability for the following year," he said.

The prospect of a recovery and an unchanged interim dividend of 2.6p raised Lucas shares 2p to 175p last night. They had been down to 164p a week ago from 193p at the beginning of this month.

The Lucas statement underlines the shake-out taking place in Britain's troubled automotive industry. GKN, which last week announced a £1.2m loss, is cutting manpower by 18,700.

Other components companies, particularly in the West Midlands where unemployment has doubled in less than 12 months, are expected to announce further cuts in capacity.

Lucas said the primary cause of the half-year deficit was the group's UK vehicle equipment companies which all traded at a loss. That more than offset the £6.9m pre-tax profit achieved in the aerospace division.

Overseas companies reflected the lower overall demand with profits down to £6.25m. Results were hit by the strength of the pound.

Lucas's reduction of 4,400 jobs since last August, only partially charged to last year's accounts, plus the cost of other redundancies and closures had reduced profits by £7.21m.

Mr. Messervy said the continuing lower demand from UK vehicle equipment factories meant further reductions in the workforce were "inescapable." The 50,000-strong UK automotive workforce might be reduced by as much as 4,500 in the coming months.

The figures drew a sharp response from TASS, the white collar engineering union. Mr. Ken Gill, general secretary, said that the loss and projected redundancies amplify the extent of the recession in the car industry.

Details, Page 26
Lex, Back Page

£ in New York

—	Mar. 25	Previous
Spot	\$2.2640-2655	\$2.2580-2590
1 month	0.10-0.15 pm.	0.28-0.35 pm.
3 months	1.08-1.13 pm.	1.30-1.40 pm.
12 months	4.80-5.00 pm.	4.80-5.00 pm.

CONTENTS

For latest Share Index phone 01-246 8026

Poehl refuses to shift on anti-inflation policy

BY KEVIN DONE IN FRANKFURT

THE BUNDESBANK, West Germany's central bank, would not be diverted from pursuing policies aimed at holding down inflation, even though this would involve "hardships and sacrifice." Herr Karl Otto Poehl, the bank's president, said last night.

In a speech in Frankfurt he said the Bundesbank's legal obligation was the value of the currency. Suggestions that a little less unemployment could be bought for the price of a little more inflation ignored the experiences of many other countries, which not only had higher inflation rates, but also higher unemployment and higher interest rates.

Lower interest rates abroad would certainly ease the Bundesbank's task, said Herr Poehl, but implicity he poured cold water on the growing suggestions coming from West European politicians that interest rates should be cut by some form of international agreement.

"One must warn against false hopes and illusions: as long as no lasting success is to be seen in the fight against inflation, it is difficult to understand how interest rates worldwide, and especially in the U.S., can fall."

The Bundesbank has come in for mounting criticism domestically for the way it has acted to increase interest rates in recent weeks. Herr Poehl argued last night, however, that, until the beginning of February, West German interest rates had been too low rather than too high when measured against the size of the current account deficit, the federal budget deficit, and foreign interest rates.

A pessimistic assessment of the state of the West German economy came yesterday from Herr Paul Lichtenberg, chairman of Commerzbank, the country's third largest commercial bank. The recession was likely to be more prolonged than previously forecast and the recovery predicted for the summer was unlikely to occur so soon.

Against official forecasts for a decline in gross domestic product of 0.5-1 per cent. Commerzbank said yesterday that the fall in economic activity was more likely to be of some 2 per cent. It was also questionable whether any progress would be made this year in cutting back last year's current account deficit of DM 28bn (£5.9bn) said Herr Lichtenberg.

Moscow 'may step up troops in Poland'

By Leslie Colitt in East Berlin

EAST EUROPEAN officials believe the immediate course of the crisis in Poland will determine whether Moscow orders the Soviet and East German troops manoeuvring there to withdraw. They say the troop presence may be "extended."

The East Europeans know that the Soviet Union has succeeded in putting more of its troops, in addition to East German soldiers, into Poland without an invasion by using the umbrella of the present Soyuz '81 manoeuvres. Two Soviet divisions are stationed permanently in western Poland.

The Communist officials say that if Moscow thought the Polish authorities were "caving in" to Solidarity's demands, it might decide to "extend" the presence of Soviet and East German troops.

This, they explained, was hinted at by the Soviet army newspaper Krasnaya Svezda. It quoted a Communist Party secretary in a Polish army unit as stressing the importance of "constantly" having Soviet support and "advancing shoulder to shoulder" with the Soviet forces.

The East Europeans say Moscow is seeking a joint Warsaw pact response to the Polish crisis.

Citizens of East Germany, Poland, the Soviet Union and Czechoslovakia — the four countries participating in the manoeuvres — are being exposed to lengthening manoeuvre coverage each evening on television.

One clip on East German television showed an East German officer, Maj.-Gen. Gunter Werner, standing before a map of East Germany and Poland while briefing Soviet and East German generals on the manoeuvres taking place in East Germany.

Gen. Werner made a sweeping gesture towards Poland, a message which was not lost on East Europeans who saw the film. The mission of the East German army is not to thwart the West German Bundeswehr, which East Germany alleges it is ready to pounce on, but to march into Poland if and when the order is given.

EEC likely to supply more cut-price food

BY JOHN WYLES IN BRUSSELS

THE EEC looks likely to decide next week to sell further substantial quantities of cut-price foods to Poland, although there are some doubts whether it will be able to afford the same 15 per cent discount given on consignments over the past three months.

Having already provided more than $800m worth of food during the first quarter, the Community, at the summit in Maastricht this week, agreed in principle to respond to a new Polish shopping list submitted last weekend.

The Poles are understood to have put their request on an "either or" basis. Thus, one list of items includes 10,000-14,000 tonnes of butter, 30,000 tonnes of meat, 50,000 tonnes of sugar, 20,000-30,000 tons of skimmed milk powder and 20,000 tonnes of edible oils.

The alternative lists 200,000 tonnes of compound feeds, 175,000 tonnes of barley, 50,000 tonnes of rapeseed and 25,000 tonnes of rye.

Bland has said these quantities should cover its needs for the second and third quarters of this year. The question the European Commission is now pondering is whether it can provide the subsidy from the EEC budget. This would enable it to give the same 15 per cent discount on world prices as it did for deliveries during the first quarter.

There is some suggestion, not yet officially confirmed, that this may not be possible because there are not enough funds available within the budget. As a result, member governments might be asked to help support the costs of the discount. It is almost certain that once Warsaw has been given a decision on the quantities and price of food available, it will again approach member governments for bilateral credits to pay for the shopping list.

FISHERIES MINISTERS MEET IN BRUSSELS

Deep-sea fishermen filled with gloom

BY ROGER BOYES IN BONN

THE DEEP-SEA fishermen idling on the docks of Cuxhaven and Bremerhaven do not share the optimism which radiated from some European Community leaders at the Maastricht summit earlier this week. Even if today's emergency meeting of Fish Ministers in Brussels reaches agreement on fishing rights in European waters, and even if this leads to Britain ratifying the European Community-Canada fish agreement, it will still be too late for West German fishermen to exploit the cod catch off Canada. The fishing season in those waters runs from about December to March "In a week," said one Agriculture Ministry official. "The icebergs will begin to make trouble and you can forget the cod catch."

The figures give some indication of how dependent the West German deep-sea fleet is on the agreement with Canada currently being blocked by Britain. But the main impact is both psychological and political. Some 2,000 deep-sea fishermen are involved and 15,000 more jobs in fish processing depend on their fortunes. Last year, their total catch was about 180,000 tonnes, of which 60,000 tonnes was cod. 52,000 sea perch, and 25,000 sea salmon. In Canadian waters, West German vessels netted 14,000 to 15,000 tonnes of cod. In other words, a quarter of the cod. the basis of the fishermen's ing groups are condemned to considerable financial loss. They are all in the red already.

After the breakdown in fish negotiations earlier this month, the Bonn Cabinet, already showing impatience with the British attitude, authorised DM 30m (£6.4m) of assistance for the fishing industry, essentially to keep the jobs alive until the fishermen were able to sail for other waters. Over the past five years, the West German Government has allotted some DM 110m of assistance to the fishing industry, although this was intended for restructuring the fleet. The fleet has shrunk from about 70 vessels in the mid-1970s to 28, most of them technologically advanced and capable of freezing and processing catches at sea. That the vessels are so modern is what makes deep-sea fishing profitable for the West German fleet despite the high fuel costs.

West Germany's fishing industry is small compared with that of Britain. But it is concentrated on two ports suffering from a plethora of structural crises.

About 40 per cent of West Germany's cod consumption is met by the domestic fleet. The rest is imported, much of it from Iceland.

Compared to the performance of such large fishing countries as Britain, the West German fishing industry seems small. But it has especial political importance for two reasons. First, the industry is concentrated on two ports in Northern Germany, Cuxhaven and Bremerhaven, in a part of the country suffering from a panoply of structural crises. Bremen's steel works, for example, has suffered under the European production quotas, and the city is worried that the national merger of aerospace industries may cost more jobs. Invesiment by the motor industry and from abroad is also flagging. The crisis in Bremerhaven, Bremen's port, is a serious blow to the Social Democrats who control the Bremen city-state's Senate.

Second, Chancellor Helmut Schmidt, who is from Hamburg, obviously feels for the fishermen. But he is concerned to make a wider point about West Germany's role in the European Community. The issue at stake is essentially this: in times of relative prosperity, Bonn was happy enough to use a form of "cheque-book diplomacy" to preserve peace and stability within the Community, West Germany's most important forum for articulating foreign policy.

Thus, for example, Britain's campaign to secure a "broad balance" in its contribution to the European budget was settled largely because Bonn was prepared to dig into its pocket. But this policy of buying peace rapidly crumbles if there is not some give-and-take on other issues, in this case Britain's willingness to reach agreement on a Common Fisheries Policy.

This, in Chancellor Schmidt's view, is a violation of trust compounded by West Germany's worsening economic problems. Now, even if Bonn were still prepared to engage in cheque-book diplomacy for the sake of European unity, it would not be able to do so. The money to pay for Britain's budget rebate was partly found through raising petrol tax, a singularly unpopular measure, yet when Herr Josef Ertl, the Agriculture Minister, recently asked the Finance Ministry for some DM 20m in extra cash for the fishermen, he was flatly turned down. The financial room for manoeuvre which allowed West Germany to be a mediating force in European politics has now dwindled to almost nothing.

Chancellor Schmidt's problem is that, by the same token, his ability to make effective threats or impose sanctions on other Community partners has also disappeared. His threat to clamp down on subsidised steel imports from Britain, Italy and other European countries should be seen partly as a type of parable rather than a serious protectionist drive. The message is this: Britain is kicking up a fuss about the possibility of low-price fish imports invading the British market, and is being unco-operative as a result. Yet West Germany has long been plagued by cheap steel imports from other European Community members, and has until now done little or nothing to impede British steel coming on to the market. If Britain can be unco-operative, so can West Germany.

The moral is thus that at a time of recession and heightened awareness of national economic interests, it is crucial to retain a vestige of "European spirit," of tolerance and co-operation between partners. Behind Herr Schmidt's gruff Hamburg manner lies an essentially idealistic position on how European co-operation should develop. Whether the lads in Bremnerhaven will perceive it in quite those terms remains to be seen.

Oil savings mount in France

By Robert Mauthner in Paris

FRANCE HAS saved more than 100m tonnes of oil since 1974, equivalent to one year's imports of oil, according to figures issued by the Industry Ministry.

In 1980, oil consumption dropped to 102m tonnes from 117m tonnes in 1973, while total energy consumption declined to 191.7m tonnes of oil equivalent from 194.7m tonnes in 1979.

M. Andre Giraud, the Industry Minister, told the Cabinet that the Government's energy-saving policy has led to a considerable modification of consumers' habits and to the extensive installation by industries of new equipment.

As a result, total energy consumption increased by only 7.5 per cent since 1974, compared with a rise of 22 per cent of the country's GDP during this period.

Investments in energy-saving equipment had increased tenfold between 1975 and 1980, totalling some FFr 7.5bn (about £700m) last year.

However, if the Government's target was to be achieved, a tripling of investments in this sector was required by 1990, M. Giraud said.

Mitterrand hits at Giscard's diplomacy

By our Paris Correspondent

THE SOCIALIST candidate for the French presidency, M. Francois Mitterrand said yesterday that France would fulfil its obligations to the Atlantic alliance if he was elected, though the country would never become a "client" of the U.S.

M. Mitterrand said that he was in favour of the Western alliance as long as the Western European states retained their sovereignty and freedom of decision. But the Socialist candidate criticised strongly President Giscard d'Estaing's diplomacy which, he said, led to France being "tossed" between Washington and Moscow.

M. Mitterand, who was the luncheon guest of the Anglo-American Press Association in Paris, said that his Government would maintain an effective French nuclear deterrent, with emphasis on the nuclear submarine force.

Though he was opposed to nuclear weapons, it had to be recognised that France's defence had depended on the strategic nuclear deterrent for as long as 20 years. It could not, therefore, be abandoned.

Ceausescu sacks planning chief in Cabinet shuffle

BY PAUL LENDVAI IN VIENNA

ROMANIA'S PLANNING Chief, Mr. Nicolae Constantin and Mr. Paul Niculescu, the Finance Minister, were relieved of their posts yesterday. No reasons were given for the moves by Mr. Ilie Verdet, the Prime Minister, when he presented the proposed shuffle to the National Assembly.

Mr. Constantin will remain a Deputy Prime Minister, but Mr. Niculescu, for many years one of the most influential associates of President Nicolae Ceausescu, has been given no new assignment. He may also have been removed from the permanent bureau of the party central committee.

The new planning chief is Mr. Emilian Dobrescu, a party official who has also been nominated as a Deputy Prime Minister. The Finance portfolio goes to Mr. Petre Gigea who was elected an alternate member of the central committee at the last party congresss.

The Ministers of Electric Power and the Secretaries of State at the Ministries of Agriculture and Industrial Construction have been switched to other positions.

The latest shuffle brings Romania its third planning chief in three years.

The economy has fallen short of the most important growth targets of the 1976-80 plan and Mr. Ceausescu has repeatedly criticised the work of some key ministries.

The fall from grace of Mr. Niculescu is puzzling as he has been a key aide during Mr. Ceausescu's rise to supreme power. However, he had never been active in economic policy before his appointment in 1978 as Finance Minister.

The fact that this very senior official has been given no new post may be a pointer to policy debates inside the Romanian leadership. Mr. Ceausescu recently admitted that the all-out industrialisation programme had been a mistake

Prospects fade for early agreement on fish

BY RICHARD MOONEY

THE POSSIBILITY of a solution to the European Community fishing dispute at today's meeting of Fisheries Ministers in Brussels appears fairly remote.

If Britain's aim in stopping the West German fleet from fishing in Canadian waters was to encourage the West Germans to lean on the French to be more accommodating to the UK, it has failed signally. The West Germans have been driven into alliance with France, and the prospect of Britain winning an equitable fish deal has faded.

But the battle may not be irretrievably lost, as Mr. Peter Walker, the UK Agriculture and Fisheries Minister, has recognised in a subtle but significant change of tactics.

Britain has argued a two-pronged case against the Community's agreement on fish with Canada which would give improved tariff terms for Canadian-caught fish in return for access for Community trawlermen (mostly West Germans) to Canadian waters. Mr. Walker claimed it was wrong in principle for third-country deals to be arranged before a Community fisheries policy had been worked out—and until quite recently the West Germans agreed. In addition, he pointed out that most Canadian-caught cod would end up in the UK market (the British like cod, West Germans do not), already depressed by cheap Continental imports.

The Minister now seems to have swallowed his principles and is relying on the second point which, unlike the first, is capable of solution without a full common fisheries policy. With sufficient market safeguards, Mr. Walker is prepared to drop his veto on the deal.

Britain's initial demand for a 25 per cent rise in Community support prices, subsidised sales of white fish to [illegible] low-tariff third country import arrangements and a limit on the amount of Canadian cod entering Britain was dismissed by West Germany as too high a price to pay. But in official-level negotiations even before the Maastricht summit both sides had begun to show signs of a willingness to compromise.

The European Commission's original counter-proposal of a 10 per cent support price rise for cod, haddock and hake was raised to 12 per cent, and Britain reduced its demand for 25 per cent across the board to 20 per cent for cod, 15 per cent for haddock and 10 per cent for hake. But the gap is still large and there is little hope of it being closed today.

Irish inflation rate put at 21%

BY STEWART DALBY IN DUBLIN

IRELAND'S rate of inflation is running at 21 per cent a year, according to figures released yesterday by the Central Statistics Office.

Of particular concern to the Government is that the inflation rate in the nine months up to February of nearly 13 per cent could presage serious industrial unrest in the next few months.

The national wage pact between employers, unions and Government says, that if the level of inflation exceeds 10 per cent in the nine months up to February, the unions have the right to renegotiate the 7 per cent pay increase already agreed for the six months which starts for most employees in June or July this year. The pact covers some 700,000 workers out of a total workforce of 1.2m.

The wages agreement entitled workers to a total annual increase of around 13 per cent. However, many employers have made it known they cannot even pay the 7 per cent already agreed for the second phase, let alone contemplate additional increases.

Major employers like the railways (CIE), and Aer Lingus, the partly state-owned airline, have said they cannot meet the wage bill, as have numerous private employers.

The gloomy news about inflation comes at a difficult time for Mr. Charles Haughey, the Prime Minister, who has just returned from the EEC summit in Maastricht. He faced a barrage of criticism from Opposition leaders in the Dail (parliament).

Mr. Garret FitzGerald, leader of the main opposition party, Fine Gael, said there was a widespread feeling in the country that Mr. Haughney had come back with his "tail between his legs" because of the public ticking off he got from Mrs. Thatcher in Maastricht. Mrs. Thatcher's rebuke was about remarks last weekend by Mr. Brian Lenihan, the Irish Foreign Minister, concerning the joint studies between Britain and Ireland about the future of Northern Ireland.

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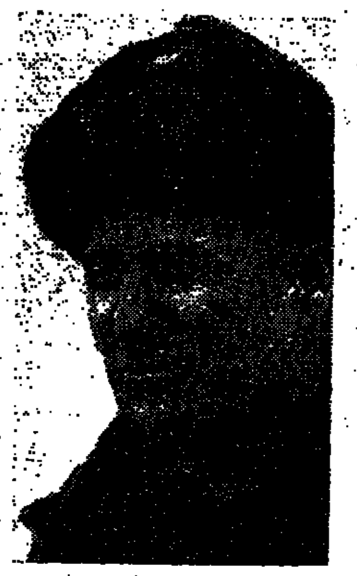
GREEK-TURKISH RELATIONS

Six-year freeze begins to show signs of thaw

BY METIN MUNIR IN ANKARA

AFTER SIX years of hostility, verging on the brink of war on several occasions, Turkey and Greece are slowly entering a new period of friendship, say diplomats on both sides. "We have now started solving problems instead of creating them," said one Turkish official.

"Other nations have disputes too but they don't fight—why should we?" asked a Greek diplomat. "We have to be philosophical and crafty about these things, as the Ottomans and Byzantines were."



Gen. Euren

Many factors have contributed to the improving atmosphere, beginning last summer when Turkey withdrew its veto on Greece being re-integrated into the North Atlantic Treaty Organisation. This allowed Athens to return to the alliance from which it had been absent since the Turkish invasion of Cyprus in 1974.

In addition the Soviet invasion of Afghanistan, the Iran-Iraq war and the explosive situation in Poland all seem to have convinced the two neighbours that they ought to bury the hatchet and close ranks inside NATO.

General Kenan Evren's military regime in Ankara is keen, while restoring order to Turkey to settle disputes with Greece. Also Mr. Ilter Turkmen, the Turkish Foreign Minister, and Mr. Kamuran Gurun, his secretary-general, both served as ambassadors in Athens and appear deeply committed to building friendship with Greece.

For Mr. George Rallis, the Greek Prime Minister, who faces a difficult general election this autumn, detente with Turkey an important part of his foreign policy.

"We want a firmly rooted and permanent co-operation with Turkey," Mr. Rallis told an audience in Crete recently, pledging his Government to strive to obtain this goal.

Reciprocal gestures of goodwill have led to the re-opening of Aegean air space which had been shut for more than six years. While not dramatic, this represented the first progress since 1974 in negotiations between the two countries.

In Ankara last week senior officials of the two countries reached a new agreement on this subject which will improve the situation further.

But despite these positive developments and the encouragement of NATO and the European Economic Community, a long and thorny road lies ahead of the two allies. Their problems are many and not easy to solve.

Apart from the question of air space, which is slowly moving towards settlement, other tougher and potentially more explosive Aegean problems remain

Turkey and Greece dispute sovereign rights over the continental shelf and have different ideas about the limits of their territorial waters.

Cyprus, still divided after six years, is also a sore issue. The new round of intercommunal talks has reduced tension but not moved an inch towards settlement.

In dispute, additionally is the alleged mistreatment of Greek and Turkish minorities in each country and the question of the militarisation of Greece's eastern Aegean islands which lie close to the Turkish coast.

There is some criticism that the method Turkey and Greece are using to discuss their problems is too slow—senior Foreign Ministry officials meet periodically and Ministers get together to review progress, or more often, the lack of it.

However, it is not the method which is holding back progress. While the realities of life seem to be pushing the two governments together, the distrust and suspicion with which the public on both sides regard each other borders on paranoia.

This, according to some observers, is the biggest problem of all. As long as these feelings prevail, the incipient Turkish-Greek friendship can only be skin-deep.

Terry Dodsworth in Paris examines a report on foreign investment in French industry

How France curbs overseas takeovers

THERE IS a widespread view in the Western world that the French Administration spends an inordinate amount of time throwing up barriers to legitimate foreign takeover bids.

This conviction has received plenty of supporting evidence in recent years. In 1980 alone, there were several cases of British, West German and Italian companies running into determined opposition to their plans to buy into French industry. Yet according to a new report, French "protectionist" measures are much less effective and not as widely applied as commonly supposed.

The study, produced by the influential Social and Economic Council, suggests that French industry is as deeply — and in many cases more deeply — penetrated by foreign capital than the manufacturing sector in any other leading Western nation. In bald figures, while admitting difficulties in making direct comparisons, the council concludes that 23.6 per cent of French companies' turnover comes from foreign-controlled concerns, compared with 18.7 per cent in Britain, 18 per cent in West Germany, 5 per cent in the U.S. and only 2.8 per cent in Japan.

These statistics admittedly fail to prove the French Treasury is not obstructive in certain circumstances. But the council, a policy advisory body which draws its membership from a cross-section of management and unions, argues that this interference is no worse than in other countries. Criticisms about "protectionism" are caused more by the form than the content of the French processes—namely, by the high-handed fashion in which the administrative system often works.

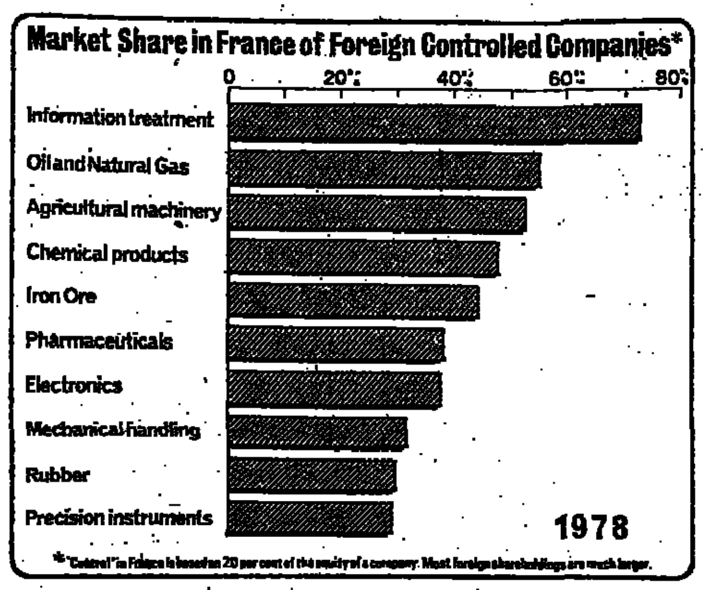
In France, argues the council, there is a built-in tendency towards controlling investment through bureaucratic *Diktat*. The Government therefore attracts criticism because it is seen to be interfering. Other countries, by contrast, rely far more on legislation (as in the U.S., where restrictive federal and state laws govern various activities, including banks, telecommunications and mining), or on such intermediate instruments as banks (West Germany), or big, defensively minded industrial groups (Japan).

The council's arguments are unlikely to comfort or convince all those foreign companies which have been caught in the French administrative cobweb and had the life drained out of their takeover bids.

But it is nevertheless true that the French civil service machinery is only thrown into overdrive in its search for a "French solution" when significant national interests are at stake. Intervention tends to be highly selective, generally involving companies thought to have particular technical strengths or growth and export prospects. Many other countries have equally sacred territory.

Outside these sectors, foreign ownership or share acquisition has been widely accepted. Taking as a base the companies in which 20 per cent of the equity is in foreign hands (in well over four-fifths of the cases the overseas interest is over 50 per cent), the figures show a very high level of penetration in several industries. The exceptions are mainly in areas of strategic military importance (steel and aerospace), or in such declining industries as textiles and leather.

The sector in which turnover by these foreign-owned companies is the highest, turns out, curiously enough, to be an area where French protectionism might be expected to be at its strongest. This is the information treatment industry, where 73 per cent of turnover is thought to be controlled by foreigners, despite the French conviction that this is a key growth business.



*"Control" in France is based on 20 per cent of the equity of a company. Most foreign shareholdings are much larger.

OVERSEAS CONTROL OF NATIONAL INDUSTRY

Country	% shareholding to qualify as control	Sales penetration by foreign-owned companies
Canada†	50	56.2
Australia†	25	36.2
France*	20	23.6
Austria†	50	22.1
Great Britain‡	50	18.7
Norway†	20	17.3
West Germany‡	25	18.0
Spain†	25	16.0
Sweden†	20	9.9
Finland†	20	4.2
U.S.§	10	5.0
Japan*	15/25	2.8

† OECD 1978. * Industry Ministry. ‡ Bundesbank, 1980. § Estimate.

Following close is agricultural machinery, reckoned to be 52 per cent under foreign influence, and such growth-oriented sectors as chemical processing (48 per cent) and pharmaceuticals (38 per cent). Before Chrysler sold out in France, even vehicle construction, highly sensitive, and a main element in France's export drive of the 1970s, was 17 per cent owned by foreign interests.

These figures draw attention to a fact often forgotten in all the talk of France's phenomenally rapid rise into the top ranks of the world's exporters: its heavy dependence on foreign technology in the post-war years.

Because France was still a predominantly agricultural country at the end of the war, it often turned overseas for the ideas and capital to modernise its industry or, alternatively, was too weak to withstand offers when they came. As a result, foreign companies made deep inroads, building on pre-war situations, sometimes in such strategically important sectors as telecommunications. In many of these areas domestic companies are only now beginning to claw back lost ground.

The council regards this influx of funds from overseas as on the whole a positive influence, bringing elements of "competition and complementarity" to the French economy. It goes on to argue, taking a line often stressed even more aggressively by M. Raymond Barre, the Prime Minister, that the development of industry internationally implies more cross-investment. The report strongly advocates, for example, much more French investment overseas, where France lags way behind its main trading partners.

However, the report is not going to lead to a sudden switch in French tactics on inward investment. Some changes occurred last year, when the right to veto takeovers from other European Community companies was largely suppressed. But apart from that, the council merely recommends that the French system be made more flexible.

This will certainly not result in the French abandoning the right to protect strategic areas.

Indeed, in a vigorous side-swipe at France's vociferous overseas critics, it suggests that most of its industrial rivals are playing the same game with much more devious methods: different technical standards, anti-cartel laws and so on. France at least, it says, has the virtue of operating a clear and open regulatory system, a view which competitors will, no doubt, note with interest.

Netherlands unions attack cuts package

By Charles Batchelor in Amsterdam

THE DUTCH Government's emergency package of spending cuts has been criticised by the unions and left-wing political parties for putting too great a burden on the lower paid. A number of employers' organisations complained that increased duty on petrol and diesel fuel would have an adverse impact on garages and the motor industry.

The Government announced on Wednesday measures to increase employees' social security premiums, slow the rate of growth of civil servants' salaries and cut departmental spending. This will save Fl 2.5bn (£482m) about 2 per cent of total budgeted spending in the rest of 1981 and Fl 4bn in a full year. It will also increase excise duty on petrol by 6 cents and on diesel fuel by 5 cents to fund a Fl 800m housebuilding programme intended to create more jobs.

The largest Dutch union, the Netherlands Trade Union Confederation, said the spending cuts imposed an unacceptable burden on the lower paid. The spending power of those on the minimum wage will fall by 3 per cent compared with a 5 per cent fall for those earning four times the average wage, of around Fl 120,000.

The confederation said the job creation package, by which the Government hopes to provide jobs for 13,000 building industry workers, did not amount to much.

The Royal Netherlands Employers Association accused the Government of shifting its financial burden on to industry.

OECD and Turks hold loan talks

PARIS — The OECD and Turkey held talks here yesterday on Turkey's stabilisation plan and its medium-term economic prospects but did not discuss new loan pledges, OECD officials said.

At a closed session of the organisation's Working Party 2, which deals with Turkey's longer term development problems, experts from OECD countries met a delegation led by Mr. Yildirin Aktunk, Turkey's Under-Secretary in charge of state planning.

Officials said the OECD will now hold bilateral talks with its member states to obtain agreement on individual loan pledges for Turkey this year.

They added that the OECD hoped to obtain broad agreement on new pledges during these talks so that a multilateral pledging meeting could be held here next month or at the start of May.

Mr. Turgut Ozal, Turkey's Deputy Prime Minister, said Ankara is seeking up to $1.2bn or $1.3bn in aid this year from OECD countries, compared with last year's pledges of $1.16bn.

● The body of an Iranian general, found dead in a hotel room in a town in eastern Turkey last Sunday, has been turned over to Iranian authorities at a nearby border crossing, the Turkish news agency said yesterday.

The agency said Turkish authorities identified the body as that of Gewdaba Emcadi (54), a two-star general in the Iranian army. An autopsy showed that he had died of a heart attack.

Turkey has been one of the main routes for Iranians fleeing the upheavals during Iran's islamic revolution.

Reuter

Japan gives go-ahead for three nuclear reactors

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

THE JAPANESE government has begun approving the construction of new nuclear reactors again after a gap of more than two years, during which the nation has been "digesting" the implications of the Three-Mile Island mishap.

Three reactor projects with a total generating capacity of 3m kW were approved yesterday by the Electric Power Development Co-ordination Council, a senior government body presided over by the Prime Minister.

Approval by the council comes after sensitive public hearings on each project have been concluded and means, in effect, that the projects concerned are now certain to be implemented.

The three reactors covered by yesterday's decision will not come into use until 1989 at the earliest. Before construction can begin, the Government must compute the amounts of compensation to be paid to local communities and carry out final studies on the safety of each project.

Officials at the Ministry of International Trade and Industry say that yesterday's authorisations would not have been possible without the emergence of a more "positive mood" among ordinary people on the subject of nuclear power.

The change of mood has been fostered by a government campaign to tighten up safety precautions still further. Officials also admit that attitudes to nuclear power vary sharply.

An extreme example of anti-nuclear feeling occurred in the island of Shikoku in early March when the citizens of a medium-sized town voted to depose a mayor who had proposed holding an inquiry into the desirability of accepting a nuclear power station.

The Shikoku incident occurred *after* successful public hearings had been held on the three reactor projects approved yesterday by the EPDCC.

Authorisation of three new reactors means that a total of around 28m kW of generating capacity is certain to be available by 1989—the figure includes about 15m kW of existing generating capacity.

This contrasts with a Government target of raising capacity to between 51m and 53m kW by the end of fiscal year 1990.

MITI officials admit that the target will be hard to reach, and that success will depend "critically" on the number of new reactor projects authorised over the next 18 months.

Most independent observers believe that the target will have to be scaled down drastically.

The 1990 nuclear power generating target forms an integral part of Japan's programmes for reducing its reliance on imported oil to 50 per cent of total energy consumption by the end of the decade.

The three reactors covered by yesterday's decision include two to be built at Tokyo Electric Power Company's Kasiwazaki Kariwa power station and one planned by Chugoku Electric—the power company serving the south western portion of the main island of Honshu.

All three are boiling water reactors (BWR) whereas the accident at Three Mile Island involved a pressurised water reactor (PWR).

Lebanon to send more troops to the south

By Ihsan Hijazi in Beirut

THE LEBANESE Government has decided to send additional regular troops to Southern Lebanon, despite warnings from Israel and its Lebanese Christian allies.

Maj. Gen. Victor Khoury, commander-in-chief of the army, met here yesterday with Maj. Gen. William Callaghan, the commander of the United Nations Interim Force in Lebanon (UNIFIL) to discuss the matter.

The Lebanese forces will be deployed within the zone controlled by the 6,000-man Unifil. About 600 Lebanese soldiers and officers are already there, and the Government in Beirut is planning to send 900 more.

The decision to despatch the troops to the south was taken at a meeting under President Elias Sarkis on Wednesday, which was attended by Mr. Chafik Al-Wazzan, the Prime Minister, Mr. Fuad Butros, Foreign Minister, and military commanders.

It is intended to fulfil a UN Security Council resolution for *re-establishing* Lebanese legitimate authority and sovereignty through the south all the way to the border.

David Lennon adds: Israel yesterday made it clear that it would support the southern Lebanese militia in its resistance to any attempts to move Lebanese Government troops into the militia-controlled border area.

In a *strongly-worded* communiqué, an Israeli Army official said Israel would "not abandon those people in the south who have relied on us for their survival" and advised that "the Lebanese army would do well to enforce law and order in the north before attempting to tackle the south."

The Israeli Army communiqué marks a further deterioration in relations between Israel and the UN forces. Recently, the Israel-backed militia shelled Nigerian troops with the UN force, killing three.

SOUTH AFRICA'S ELECTION CAMPAIGN

Man with simple message

BY BERNARD SIMON IN JOHANNESBURG

MR. JAAP MARAIS, leader of South Africa's far-Right Herstigte Nasionale Party, is virtually assured of a big audience when he addresses political rallies in the current election campaign.

For a start, the HNP has taken over the ruling National Party's reputation of serving the best milk-tart, Koeksusters and other traditional Afrikaaner delicacies at its meetings.

More important, however, is that Mr. Marais' hardline views are striking a resonant chord in thousands of Afrikaaners, disillusioned and confused by the on-off reformist race policies of Mr. P. W. Botha, the Prime Minister.

Mr. Marais' message is simple: The more you give the black man, the more he takes. Swaying behind the microphone as he shifts back and forth on a lame foot, the slightly-built leader of South Africa's fastest-growing political party told a cheering crowd of 350 supporters in the northern Transvaal town of Tzaneen recently that they owed the country's 20m black people nothing.

Quite the contrary, said Mr. Marais "They owe us a great deal for the transport, hospitals and cheap housing they receive from us." The present Government's "Leftist" policies, he stormed, are bringing the blacks towards "total equality" with whites.

Mr. Marais quit the National party in 1969 along with four other right-wing MPs over a government decision to allow four New Zealand Maoris to tour the country as members of an All Blacks rugby team.

Fears about sport policy and other areas where the Government has shown signs of dismantling Apartheid could help put one of the rebels back into Parliament, this time as a member of the HNP.

Mr. Marais could just be that man. He is given even chances of winning the remote Waterberg constituency in the North-Eastern Transvaal, despite the fact that his opponent is Dr. Andries Treurnicht, the National Party's Transvaal leader, and guru of the arch-conservatives within the ruling party.

Mr. Marais and his party have become the rallying point for thousands of dyed-in-the-wool Afrikaners — mostly farmers, low-level civil servants and mineworkers—who fear that Mr. Botha's hints of more liberal race policies will open up their jobs, schools, suburbs and farmlands to blacks.

According to a recent opinion poll, support for the HNP and other Right-wing splinter groups has more than doubled in the past 18 months. They now have the backing of almost 10 per cent of the all-white electorate.

The Government is taking the threat from the Right certainly more seriously than any threat from the official opposition, the more "liberal" Progressive Federal Party, whose support is largely limited to affluent English-speaking suburbia.

Mr. Marais, 58, who was a municipal worker before entering Parliament in 1958, is able to hit Mr. Botha where it hurts most.

He forcefully accuses the Prime Minister of abandoning the ideals of Afrikanerdom nationalism fostered by respected leaders of the past, such as Hans Strijdom and Hendrik Verwoerd.

Stabbing his index finger in the air, he tells voters that the present Government is encouraging a process of "giving up, giving in, giving over and eventually giving away our own country."

MR. JAAP MARAIS

His party's argument, at its most basic, is that the more blacks are given, the more they will take. Dismantling apartheid will merely hasten the revolution and the extinction of the white man, Mr. Marais argues. He attacks Mr. Botha for putting South Africa on the same path to black domination as Zimbabwe and Namibia.

Regular news leaks of sensitive official information presumably from HNP supporters in the civil service are used with maximum effect to embarrass the Government.

President's party sweeps S. Korea poll

By Ann Charters in Seoul

THE South Korean Government Democratic Justice Party swept National Assembly elections yesterday, winning in 90 out of 92 districts and handing President Chun an expected majority.

Two-thirds of the legislators are elected by direct popular vote, with the remaining seats filled proportionally.

President Chun's party won 90 seats directly and 61 seats proportionately, for a total of 151 in the 276 seat National Assembly.

Two other parties, the Democratic Korea Party and the Korea National Citizen's Party, emerged from a field of 12 parties to run 81 seats, and 25 seats respectively.

Australian unions winning in 35-hour-week campaign

BY COLIN CHAPMAN IN SYDNEY

AUSTRALIAN TRADES unions are pushing with increasing success for a nationwide 35-hour week. It now seems likely that by the end of the year Australia will become the first industrial nation to operate a nine-day fortnight.

This week six key unions won a 35-hour week for their members at a Victorian petrochemical complex. The award was made by the National Arbitration Commission, on the basis of a productivity deal, despite strong opposition from the Federal Government and employers.

Yesterday, Mr. Andrew Peacock, the Industrial Relations Minister, offered a package of help to companies prepared to dig in and fight the 35-hour week, which, he said, would increase costs by up to 21 per cent and have a "devastating" effect on industry.

The package included deferment of company taxes, preference on Government contracts to firms offering resistance, and other measures.

However, ICI Australia yesterday began discussing a possible shorter working week for almost 4,000 employees and union leaders said negotiations would be completed with the glass, aluminium, mining equipment, engineering, shipbuilding and shiprepairing industries within a fortnight.

Economic worries follow Zimbabwe aid talks

BY OUR SALISBURY CORRESPONDENT

THE WEST came up trumps at this week's conference on aid to Zimbabwe, producing pledges worth about US$250 for each citizen—possibly the highest amount of aid given to a developing country.

A Zimbabwe Government official revealed last night that total aid pledges now amounted to Z$1.2bn (£800m). Before the conference started, aid pledges had been valued at just over Z$300m. But in the three days of the Zimbabwe Conference on Reconstruction and Development a further Z$900m had been pledged.

Major pledges included Z$287m from the World Bank, Z$140m from the U.S., and Z$120m from the EEC.

Details of the aid disposition will not become clear for some time, but the most important single fact is probably that Zimbabwe has now attracted as much aid as it can absorb in the next three years. Officials said that about two-thirds of the Z$1.2bn had been pledged to Zimcord programmes such as rural development, technical assistance and capital investment in training and educational institutions.

The conference is a milestone in one other important respect. Now that the aid flows have turned out to be significantly greater than forecast, the Mugabe Government can no longer blame an unsympathic internal community for its economic inheritance.

Just how handsome an economic inheritance it was is reflected in the fact that last year real GDP rose more than 7 per cent, exports by a third and industrial output by 15 per cent.

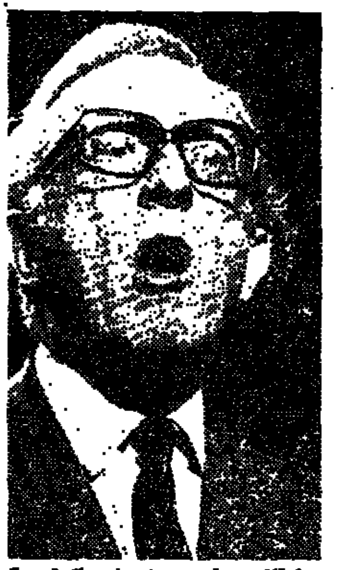
But economic alarm bells are ringing: the money supply rose more than 34 per cent last year; inflation, having fallen in 1980, is moving towards 15 or 20 per cent. Government spending is out of control, and the balance of payments is under strain because of lower productivity in some secters, notably mining.

All of which means that the Mugabe Government with its pockets bulging with Western aid must now get to grips with the serious domestic difficulties it faces. Some tough economic decisions—on wages, on subsidies, and on taxes—have now to be made.

For the forseeable future, Zimbabwe's transport position is going to be heavily dependent on South African goodwill.

The South African Government, delivering a bolt from the blue, gave notice during the conference that it will terminate the 16-year-old trade agreement between the two countries.

Since South Africa is Zimbabwe's largest single market and since a highly important range of industries—clothing textiles, furniture, radios and footwear, are heavily dependent on that export market—the loss of duty free or preferential entry into this market is likely to have severe repercussions for the manufacturing sector and for Zimbabwe exports.



Lord Carrington: who will be Hong Kong's new Governor?

How Carrington's Far East tour affects Hong Kong's future

BY KEVIN RAFFERTY IN HONG KONG

LORD CARRINGTON, Britain's Foreign Secretary, was due to leave London last night on his long-delayed Far East tour. One thing he will find in Hong Kong is intense speculation over the colony's future.

At the heart of the matter is concern over who will succeed Sir Murray Maclehose as Governor. Sir Murray confirmed just two weeks ago that he will not remain in office after April next year.

The debate has been intensified by the recent Hong-Kong government reshuffle, widely seen as preparing the ground for Sir Murray's successor. It has also been fuelled by speculation that the Nationality Bill now passing through the British Parliament aims at distancing Britain from its most important remaining imperial possession, perhaps as a prelude to returning Hong Kong to Chinese rule.

Lord Carrington will be travelling on to Peking from Hong Kong (the trip was postponed last October when war broke out between Iran and Iraq) and many commentators assume his most important task will be to discuss the fate of Hong Kong beyond June 30 1997, when Britain's lease on the greater part of the colony runs out.

In the recent government reshuffle, Sir Jack Cater, the present chief secretary — effectively the general manager of the Hong Kong Government — is going to London as Hong Kong's commissioner. His place will be taken by Sir Philip Haddon-Cave, now the Financial Secretary. For the job of Financial Secretary, Mr. John Bremridge, leading "taipon" (big boss) of one of the colony's oldest "hongs" — the Swire group, has been called in from the private sector.

The new governor's team gives an indication of some of Whitehall's and Hong Kong's priorities.

Sir Jack Cater's appointment represents a strengthening of Hong Kong's voice in the mother country, and underlines concern that the colony should have as powerful an impact as possible in Whitehall.

Sir Philip Haddon-Cave, after 10 years at the centre of power in Hong Kong, provides continuity, while Mr. Bremridge's recruitment represents a strong conviction that Hong Kong's future lies with free enterprise and a vibrant private sector.

But these changes at the top pale by comparison with the need to get the right man as Governor. There is regret that Sir Murray will be leaving, after 10 years in which he has become widely respected as one of Hong Kong's most effective Governors. Some people would like to see him stay on, especially to see Hong Kong through the critical years when the colony's fate beyond 1997 will have to be resolved.

China is always at the forefront of any discussion about Hong Kong Governors and it has led to the naming of Sir Edward Youde, former British Ambassador in Peking and now under-secretary in the Foreign Office, as the favourite for the job. Such an appointment would be in line with the tradition of Governors from the diplomatic service.

Hong Kong's future is still precariously balanced on confidence which could easily be undermined. It could be shattered if China demanded Hong Kong back, but could be equally threatened by protectionism in Western industrial countries against Hong Kong products.

For all these reasons, the Foreign Secretary is likely to come under some pressure to cast his net beyond the polished diplomats of Whitehall.

Choice of a leading politician could be one answer. The names of Lord Soames, Sir Ian Gilmour and Sir Anthony Royle have cropped up in Hong Kong.

The alternative might be to look within Hong Kong. If Sir Murray Maclehose had stayed on for, say another two years, then Sir Philip Haddon-Cave, might have been the hot favourite, simply because he would by then have been the all-round Hong Kong civil servant.

A domestic appointment, or even a political one, would be controversial, and wuld throw back t Whitehall the responsibility of working out a formula with Peking to allow Hong Kong to continue into the 21st century. But it is at least arguable that that is Britain's and China's job.

Energy Review: China's nuclear and oil prospects — By Tony Walker in Peking

Nuclear lobby makes slow progress

CHINA'S nuclear lobby appears to be winning the battle to be allowed to push ahead with plans to develop a nuclear industry. But progress will be slow. And it is most unlikely that development of the industry will have moved far by the end of this decade.

"From a long-term point of view, nuclear power stations will be built in China," according to Li Rui, China's Vice-Minister of the Power Industry. But he added that no nuclear stations were expected to go into operation before 1990.

Many questions remain to be resolved before China can enter into serious negotiations with overseas suppliers of nuclear technology, and not the least of these is what level of foreign involvement the Chinese wish to have in their nuclear industry.

This is the subject of hot debate in China's nuclear bureaucracy which is busily formulating proposals to be considered by the leadership. Opinions range from those who believe that more would be gained in the initial stages by importing whole plant and equipment to those who urge that China should develop its nuclear industry with a minimum of foreign involvement.

The immediate problem for the authorities is to decide what to do about proposals for the construction of a nuclear power plant in Guangdong, south China, to serve both the province and Hong Kong. A feasibility study into a proposed joint venture between China Light and Power (Hong Kong utility) involving twin 900 kW pressurised water reactors and Guangdong Province itself, is now being studied by the State Council—China's cabinet.

In the meantime, the Chinese are sending a delegation to France in the first half of this year for preliminary discussions about the proposed purchase of two French 900 MW Framatome pressurised water reactors (PWR). This should not be read as indicating the Chinese are necessarily leaning towards the Framatome option. The mission will be testing the market and be interested to hear, no doubt, the terms being offered in Paris.

The negotiating mission follows on a visit to Peking last year by French President Valery Giscard d'Estaing. In discussions with Vice-Chairman Deng Xiaoping, M. Giscard d'Estaing revived the French reactor deal, which had all but been shelved in the first economic readjustment, by apparently offering most generous terms.

While Framatome is one of the options China would consider for Guangdong and elsewhere, it is by no means the only possibility and could not be regarded as having the decisive edge at this stage, even though the French and the Chinese have conducted quite exhaustive discussions over a period of time.

Zuo Hu, deputy chief engineer of the Nuclear Power Department (his Ministry is responsible for the technical aspects of China's nuclear programme), described the Guangdong plant as a "special case" because of the involvement of a foreign joint venture partner. This presumably means that approval can be given for a Guangdong plant ahead of the larger decision on the development of a full-scale nuclear industry in China. The question of imports of technology would also be treated separately.

Thus a decision to import perhaps a whole plant for Guangdong would not impinge on a policy of greater self-reliance adopted for the industry in China as a whole. All these decisions are not easy ones for the Chinese leadership at a time of economic restraint: but China's chronic energy shortages, the slowdown in oil and coal production and the work done already by the Chinese in the nuclear field are pushing them to adopt the nuclear option.

Mr. Zuo sketched out a general plan for China to build two demonstration reactors in the next 10 years or so—mostly through its own efforts. These would be located in provinces near Shanghai, China's main industrial city. Mr. Zuo estimates it would take seven to nine years to build these plants.

He says that because of the exploratory nature of the programme China would probably build one heavy water reactor and one PWR. It is on these reactor types China has concentrated its research and development efforts in recent years.

On the question of which system is likely to come out on top, Mr. Zuo said: "I would guess that eventually both systems would be adopted." He mentioned that China had developed heavy water manufacture and uranium enrichment technologies to serve these systems.

Although he qualified his remarks by stressing that no final decision had been made on the development of a nuclear industry, Mr. Zuo said that "in principle different ministries have agreed that certain parts of China need nuclear power."

Undoubtedly the question that is proving most difficult for nuclear planners is what mix of foreign and local technology is best for China — particularly at a time when Chinese leaders are re-emphasising policies of self-reliance as they try to rationalise the more ambitious plans of the early stages of the modernisation drive.

Mr. Zuo pointed out that China had been developing its nuclear capability for 20 years and had, in fact, built a complete nuclear fuel cycle, making fuel and reprocessing spent fuel.

The confidence of the Chinese nuclear lobby was no doubt given a boost by the recent announcement that China had developed the technology, described as a "high-flux test and research reactor" for small to medium-sized power plants.

"China is now able to design, manufacture and build nuclear power stations independently," reported Xinhua, the Chinese News Agency, in a despatch that would not have pleased foreign companies anxious to sell reactors to China.

Despite the successes, most observers agree that if China is to proceed at more than a snail's pace in the development of a nuclear industry it will have to seek at least some degree of foreign technology transfer.

On one score, the Chinese appear to have few worries, and that is uranium supplies. "Unquestionably it (uranium supplies) is sufficient to embark on a nuclear programe," said Mr. Zuo. "I would guess that up to the beginning of the next century we would not face a uranium shortage."

Oil output starts to decline

CHINA'S OIL production has fallen sharply—to the point where exports may dry up completely over the next few years.

That could mean a serious loss of foreign exchange earnings at a time when China is facing difficulties finding the money to pay for imported technology.

The country's offshore exploration programme is progressing only slowly — although bids for the first exploration licences in the Yellow and South China Seas may be sought from foreign oil companies later this year.

Mr. Yao Yilin, China's State Planning Minister, made public in a recent "mini-budget" what has been said in private by Chinese officials over the past month or so: China's oil production has started to decline.

Mr. Yao revealed the target for production this year had been reduced from 106m to 100m tonnes. Even this may be optimistic.

Mr. Gu Mu, Minister in charge of the Foreign Investment Commission, told Mr. Saburo Okita, Japan's special trade representative, last month that Chinese oil production would drop by 10 per cent to 20 per cent by the mid-1980s.

These pessimistic forecasts confirm last year's rumours (denied at the time by the Chinese) that production at Daqing, the country's main oilfield, was flagging and that output from other fields was not meeting the ambitious targets set by the Petroleum Ministry at the beginning of China's modernisation drive.

The implications of a squeeze on exports can be gauged from the contribution that oil sales made to China's foreign exchange earnings last year. Petroleum exports earned for China just over \$2bn—10 to 15 per cent of all export earnings. (Oil exports totalled about 11m tonnes, with Japan taking about 10m tonnes.) Under the 1978 long-term Sino-Japanese trade agreement, oil sales were easily the largest component in two-way trade last year, which was worth some \$8.7bn.

It is possible China may find itself having to import quantities of crude to satisfy domestic demand if Mr. Gu is correct that production will slip by 10 to 20 per cent in the next few years.

China has undertaken to export to Japan almost as much oil this year as last year, but in view of the revised production targets announced by Mr. Yao this may be another promise that the Chinese will find difficulty in keeping. Supplies to the Philippines, a long-standing customer, have been slashed this year.

It would be no surprise if China goes to Japan at some point during the year and asks to be relieved of its commitment, unless it chooses to maintain supplies and therefore good faith through its own purchases on world markets.

Especially perplexing in view of the problems China faces in its effort to maintain oil supplies for domestic use, let alone exports, is the snail's pace at which it is moving towards an offshore exploration programme in the Yellow and South China Seas, where foreign oil companies have completed seismic surveys and are now awaiting a call by the Chinese for tenders.

British Petroleum, which has been the most active of foreign oil companies surveying prospects in China's offshore areas, earlier this month completed a test-drilling programme in the Yellow Sea. This followed a seismic survey conducted by BP on behalf of an international consortium in its Yellow Sea concession.

Other seismic testing has been conducted over wide areas of China's offshore waters, stretching down to the South China Sea. Most of the world's big oil companies have been involved in these surveys, which will form the basis for bids that companies will make once China calls tenders for development and exploration rights.

Offshore exploration is already being conducted by the Chinese in co-operation with the French firms Total and Elf Aquitaine and with Japan's national oil company in its northern waters.

According to Western petroleum industry sources in Peking, the Chinese are expected to call tenders for some of the concession areas in August or September this year. This may be about the time China releases regulations governing exploration and development of oil reserves in partnership with foreign companies. The Chinese have been studying regulations promulgated in other developing countries

According to foreign oil company representatives, the appointment earlier this month of a new Petroleum Minister may help speed up what has been a laborious process.

Jubilant workers greet the gas burn-off from a new exploratory well in the South China Sea last year.

Mary Helen Spooner in Buenos Aires assesses the new Administration's prospects

Viola takes over an Argentina in confusion

GEN. ROBERTO VIOLA takes over as President of Argentina on Sunday, in an atmosphere of political optimism clouded by economic apprehension.

Sunday also marks the fifth anniversary of the military take-over which has given Argentina a name for repression. The fate of many thousand desaparecidos—people taken away by the security forces—is still unknown.

Gen. Viola has tacitly promised some easing of the repression, and the number of disappearances has dwindled in the past year. He recently returned from meetings in Washington with President Ronald Reagan and Mr. Alexander Haig, the Secretary of State, who promised him better relations.

But in the six months since Gen. Viola's appointment is the announced, uncertainty over economic policy has given away to a kind of apocalyptic frenzy as dozens of banks and financial institutions collapsed and Argentinians stampeded in a drive to change pesos for dollars and other currencies as the peso dropped in value.

Adding to the economic confusion is the uncertainty over what direction Gen. Viola's regime will take once in office. Gen. Viola's appoilntment is the product of nearly two years of planning and negotiation within the armed forces. His three-year administration is part of *El Proceso*, the institutional process begun by the Argentinian armed forces when they seized power from the tottering Government led by Sra. Isabel Peron in 1976. Its stated goals were the elimination of the chaos and the threat posed by the Montonero guerillas which developed during Mrs. Peron's ill-fated Government.

The army wiped out the Montoneros, as well as many legitimate dissidents, especially in the unions. Human rights groups estimate that the number of people who "disappeared" range from 5,000 to 15,000.

Argentinian military officers admit excesses during the so-called "dirty war" against the guerrillas. But even the most liberal elements in the armed forces close ranks with the hardliners at any suggestion that a list of the missing be made. Any political pressure from human rights groups after Gen. Viola takes office is likely to be answered either with indifference or with more repression. "It was a war, a dirty war, and in a dirty war the victims don't get to hold Nuremburg trials," said a diplomat in Buenos Aires.

At the same time, Gen. Viola apparently realises that political activity needs at least some outlet, and in his public statements has said the unions have a role to play in Argentinian society. Under the present regime of Gen. Jorge Videla, labour protests have been put down with a heavy hand. The authorities still detain Argentinian labour leaders from time to time, and usually release them with a warning against agitation. But labour organisations have lately taken to publishing newspaper advertisements to explain their case.

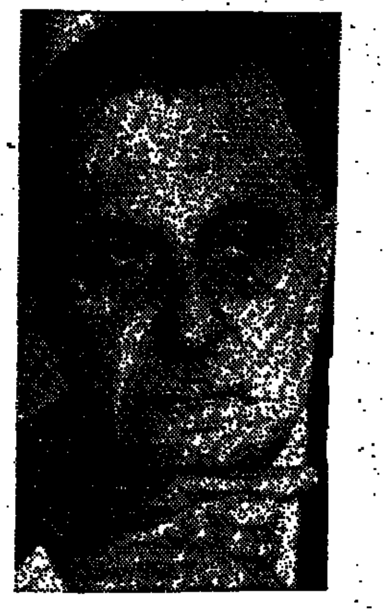
Argentina's unions formed the bulwark of the Peronist political movement, and Peronism remains a potent force, even though it has become more nebulous than ever since the death of its founder, Juan Peron.

The Argentinian Press, meanwhile, is exercising a discreet self-censorship, although on economic issues the newspapers have felt free to criticise the Government. The English-language Buenos Aires Herald was the only paper willing to cover human rights matters during Gen. Videla's Government, but lately the conservative La Prensa has published some articles on the subject. Nearly 70 journalists disappeared during Gen. Videla's regime, but the overt threats to journalists appear to be ending.

While liberalising forces are at work both inside and outside the Government, hardliners in the armed forces are flexing their muscles as well. Gen. Albano Harguindeguy, the outgoing Interior Minister, is reported to have offered himself as a presidential candidate during the military's search for a successor to Gen. Videla. Other indications of the hardliners' influence include the arrests of a half dozen human rights activists in Buenos Aires at the very moment Gen. Viola was in the U.S. trying to establish a statesman-like image.

While balancing the conflicting foroces of liberals and hardliners, Gen. Viola also faces two problems he undoubtedly hoped would be resolved before he took office. Five years after removing Sra. Peron from office, Argentina's military rulers have still not decided what to do with her. It was announced earlier this month that Sra. Peron, widow of Juan Peron and heiress to the populist political movement he founded in the 1940s, would be released into exile. Then, last week, a court sentenced her to eight years in prison, after which a federal prosecutor appealed, insisting on a 12-year sentence.

Argentina has also still not given a decisive answer to the Vatican's proposal for resolving a long-running territorial dispute with Chile. Much of the army views the conflict as a test of its own honour, and is unlikely to accept any solution not sufficiently sensitive to Argentina's skittish financial system. Foreign reserves have shrunk from \$10.5bn in mid-August to \$3.7bn, and are declining further. Many investors fear the peso may to further devalued by as much as 50 per cent after Gen. Viola takes office. In the face of an economic collapse, Gen. Viola's term could be very short.



THE NEW ECONOMIC TEAM IN BUENOS AIRES

THE CHIEF of Gen. Viola's economic team will be Dr. Lorenzo Sigaut, a friend of Gen. Viola (left), whom he met at the Army War School. Hitherto he has been maintaining a "mysterious silence" about the policies he will adopt, writes Robert Lindley in Buenos Aires. It is likely he will have a hard job co-ordinating the different and often bitterly opposed policies of his subordinates.

These include Gen. Diego Urricarriet, the only military man in the team who, before his retirement, was head of Fabricaciones Militares, the army's industrial complex. Sr. Jorge Aguado, the overlord of the farm sector, is known to want to bring down the value of the peso and understands the problems of his fellow ranchers.

The industry and mining sector is in the charge of Sr. Eduardo Oxenford, a bitter enemy of the policies of Sr. Martinez de Hoz, the present economic overlord.

The Minister of Trade and Maritime Interests is to be Sr. Carlos Garcia Martinez. Sr. Garcia Martinez has made a career as an ambassador to the Latin-American Free Trade Association and its successor, the Latin American Integration Association. It is assumed that he will push for reduced tariffs on imports into Argentina.

Gen. Urricarriet, it is reported, may want to increase state participation in industry, against the wishes of the rest of the team. Sr. Oxenford, for his part, may well want to limit imports of farm machinery to the benefit of more expensive local manufacturers but against the interests of Argentinian farmers. Sr. Aguado will hardly be likely to approve of that.

It seems that Dr. Sigaut will have to exercise much greater flexibility in his policies than his predecessor did.

Haig puts himself back on course

By Jurek Martin, U.S. Editor, in Washington

MR. ALEXANDER HAIG, the U.S. Secretary of State, promised yesterday to put his lost power struggle with the White House behind him in order to concentrate on the substance, not the form, of American foreign policy.

Appearing in front of a Congressional committee, he read in measured, deliberate tones a statement obviously designed to put to rest rampant rumours that he was ready to resign and that the White House was perfectly willing to see him depart.

"It is important," he said, "to recognise that it is the substance of foreign policy that must be the focus of our attention. Sometimes form—organisation and structure—affects that substance.

"With respect to so-called 'crisis management' (to be vested with Vice-President George Bush), that form has been established and the time has now come to get on with substance, the formulation of American foreign policy."

Mr. Haig emphasised his full agreement with President Reagan's "substantive approach to foreign policy, and that's why he selected me."

Mr. Haig's concession of defeat and Wednesday's statements by both President Reagan and Vice President Bush that Mr. Haig would remain the "prime adviser" and "general manager" of foreign policy indicate a general desire to patch up the most divisive internal dispute yet afflicting the administration.

This was given further testament yesterday by the announcement that, henceforth, Mr. Haig would attend the regular morning national security briefings in the White House. This may not mean much in practice: Mr. Cyrus Vance used to talk to President Carter every morning, but this did not prevent conflict between him and the White House, in the person of Dr. Zbigniew Brezezinski, the National Security Adviser.

Washington was still alive yesterday with stories of the extent of Mr. Haig's anger and the depth of discontent with him in the White House, particularly on the part of Mr. Edwin Meese, Mr. Reagan's influential special counsellor, and Mr. James Baker, the White House chief of staff.

Though President Reagan aserted on Wednesday that Mr. Haig had never actually threatened to resign in a 45-minute head-to-head session in the morning, White House officials were emphatic that he had issued such threats at least eight or nine times during the *first tow months of* the Administration.

This had so irritated Mr. Meese and Mr. Baker that they were prepared to tell the President that if the threat was repeated it should be accepted.

Mr. Meese knows how Mr. Reagan likes to run Government in the collegial style and felt that the Secretary of State's incessant grabbing for the headlines detracted from the efficiency of the system

IADB to 'route oil funds to Latin America'

BY DAVID BUCHAN IN WASHINGTON

THE Inter-American Development Bank is exploring a new role for itself as a broker to channel more surplus oil wealth from the financial markets into large energy and industrial projects in Latin America.

The plan, to be put to the bank's member Governments at its annual meeting in Madrid, starting April 6, stems from the bank's estimate that Latin American countries will need \$139bn-\$164bn in foreign investment for energy alone during the 1980s, the fact that official aid can only provide a fraction, and the fear that commercial bankers will fight shy of much further leading without the support of multilateral agencies.

Sr. Antonio Ortiz Mena, president of the IADB, explained that the bank would use its long technical expertise in the energy field particularly to identify and evaluate major projects in Latin America and then seek financing for them. IADB officials say that private bankers feel there is a shortage of well chosen and researched projects, and that the IADB has the appraisal capability they lack.

Bankers will "know that a *thorough* study for the banks has been undertaken before we seek the financing," Sr. Ortiz said, adding that the IADB could act as a broker in simply putting financiers and borrowing countries together, or as a direct intermediary.

The latter role would be akin to that of a "merchant bank," other IADB officials explained, with the multinational bank organising and researching the loan, and putting up some money of its own. There is also some suggestion the IADB might insure or guarantee such loans.

The IADB proposal will be examined in Madrid by its member governments—27 from the western hemisphere and 16 outside (including Britain)—some of whom may question it if it mererly uses existing resources and funds and does not generat extra investment. But the plan comes at a time when the World Bank has run into serious difficulty, from the U.S. Administration, on its proposal for a new energy affiliate.

The Reagan Administration has objected to the World Bank energy affiliate, which would require some initial capital injection from national governments. By contrast, the IADB plan would not require any new cash from the U.S.

The U.S. is already way behind other countries on paying its arrears on contributions into the IADB's soft loan arm, the Fund for Special Operations which makes concessional loans, and the Reagan Administration is evidently in little hurry to catch up.

IADB officials note that their new plan to act as a clearing house for commercial loans to Latin America should go down well with banking regulatory authorities in industrialised countries which have become worried by banks exposure in the third world. Association with the IADB which has never had any government defaut on one of its loans, might help.

Rostow tipped to head U.S. arms control agency

BY JUREK MARTIN IN WASHINGTON

MR. EUGENE ROSTOW, a veteran of President Johnson's administration but a supporter of President Reagan in last year's election, is likely to be named soon as head of the arms Control and Disarmament Agency (ACDA).

Mr. Rostow, now a law professor at Yale University, has served as a prominent member of the Committee on the Present Danger, an influential Washington bipartisan lobby highly critical of the strategic arms limitation agreements negotiated with the Soviet Union in the past decade.

At one stage, the Reagan Administration seemed intent on nominating an even more hawkish military man, retired General Edward Rowny, to ACDA, which is responsible for formulating detailed policy positions on arms control as well as for negotiation.

Canada premiers re-jig constitution formula

BY VICTOR MACKIE IN OTTAWA

THE PROVINCIAL premiers opposing the Canadian constitutional package which has been placed before the Canadian Parliament by Mr. Pierre Trudeau, the Prime Minister, have revamped their amending formula in the hope of persuading him to delay sending the package to Westminster.

Following a meeting of the premiers in Winnipeg this week, Mr. Roy Romanow, Attorney-General of Saskatchewan, said yesterday that agreement was near on an amending formula among the eight provinces opposing Mr. Trudeau's package.

The provinces hope the move will result in an agreement by the Prime Minister to resume bargaining with them. Mr. Trudeau, however, has suggested in the Commons that it is too late. In a heated Commons exchange with Mr. Joe Clark, leader of the Progressive Conservatives, on Wednesday Mr. Trudeau turned aside a demand that he call one last round of federal provincial talks before sending the constitutional package to London.

The Prime Minister repeated his argument that the provinces had not been able to show a united front on the issue. He said they will have two years following patriation to put an alternative amending formula to a referendum vote under the terms of the proposed resolution going to Westminster.

As a result of the Winnipeg meeting, the eight provinces, including Saskatchewan, are now ready to agree to an alternative amending formula. The premiers will hold a telephone conference call to affirm their positions today.

Mr. Trudeau told the Commons: "If the Premiers have indeed reached consensus we'd be happy to hear from them. But until we do hear, I'd be inclined to agree with the Premier of New Brunswick (Mr. Richard Hatfield) that delay would only produce one thing and that is more delay."

Only two provinces—Ontario and New Brunswick—support Mr. Trudeau's package for constitutional change. The other eight held the Winnipeg meeting on Tuesday to try to reach a consensus on an alternative plan to propose to the Prime Minister.

Our foreign staff adds: Mr. Jean Chretien, the Canadian Minister of Justice, will meet Mr. Francis Pym, Leader of the House of Commons, in London today to discuss the timing of the Canadian resolution's passage through Westminster.

Mobil Oil to close refinery

By Paul Betts in New York

MOBIL OIL, the second largest U.S. oil group, said yesterday to plans to close its Buffalo refinery in New York state because of the sharp decline in petroleum products demand in the U.S. market.

The move follows similar decisions by leading U.S. oil groups to reduce their refinery capacity in view of the recent dramatic change in the U.S. petrol consumption pattern.

Both Standard Oil of Indiana, which markets its products under the Amoco brand name, and Gulf Oil have announced reductions in their U.S. refinery capacity with closures ... of ... some facilities.

Some leading U.S. oil companies have also made selective cuts in their petrol prices because of the current high level of stocks and increasing competition at domestic petrol pumps.

Eastern coalminers strike as pay agreement expires

BY DAVID LASCELLES IN NEW YORK

COALMINERS in the eastern U.S. went on strike at midnight last night as their three-year-old pay agreement expired. But they will vote on the new agreement next Tuesday and could be back at work by next Thursday.

The new deal has already been ratified by the bargaining council of the United Mineworkers Union. However, the 160,000 workers covered by the deal are sticking by a union rule which says "no contract, no work." So they will stay out until the deal is formally approved next week, which it is bound to be.

The new contract gives the miners a 31 per cent wage rise over the next three years, plus various other benefits.

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Increasing reliance on oil imports forecast

BY OUR TORONTO CORRESPONDENT

CANADA is likely to become increasingly dependent on imported oil in the short to medium-term, as traditional sources of domestic supplies in western Canada continue to decline, Mr. J. A. Armstrong, chairman and chief executive of Imperial Oil Ltd., told a Financial Times conference in Toronto.

Mr. Armstrong said his company's projections showed oil imports could double to 600,000 barrels a day by 1985, depending largely on government action and policy.

Mr. Armstrong said development of the oil sands would offer the best hope for closing the gap on imported oil by the end of the decade. Two existing *oil sands plants, together with* the two additional plants proposed by Esso Resources and the Alsands group, could be producing almost ½m barrels of synthetic crude oil a day by 1990.

Mr. Armstrong said the oil sands contain more than 200bn barrels of recoverable crude, and "we could very well see new plants and continued development of this resource until well into the 21st century."

But neither Esso Resources' Cold Lake plant or the Alsands project had yet received government permission to start construction, Mr. Armstrong said.

The oil executive said he was confident the best prospects for achieving oil self-sufficiency over the longer term would lie in development of Canada's hydrocarbon resources in northern Canada and off the Atlantic coast.

The industry was still several years away from measuring the potential of these areas, but discoveries so far had been very encouraging. "Indeed discoveries of natural gas in the western Arctic, the Arctic islands and western Canada indicate that we will enjoy a surplus of gas until well into the next century."

But Mr. Armstrong did not foresee oil and gas in any quantity from these regions until early in the 1990s provided there was a favourable investment and legislative climate. Mr. Armstrong said that Imperial projective drill production in Canada would triple over the next 20 years and a significant rise in world demand for Canadian thermal coal could also be expected.

However, there would be a substantial market for metallurgical coal, especially with the development of British Colombia's vast resources in the North East, continued development of the South East area in the province and in western Alberta.

Mr. Armstrong estimated that development costs could run as high as C\$35bn (£15bn).

"In fact, total development costs for oil, gas and coal will probably exceed C\$500bn over the next 20 years," Mr. Armstrong said. But this would depend on encouragement for industry to proceed with development. These projects could generate exceptional opportunities for outside investment, since the industry would have to rely on capital markets for between 30 and 40 per cent of the total amount.

Mr. Armstrong said the investment in new energy could represent more than C\$1.5 trillion (million million) in opportunities for the entire Canadian economy in the next 20 years.

Commenting on the national energy programme Mr. Armstrong said he believed the time for confrontation was passing. Ottawa, he hoped, was starting to recognise that the industry could not grow with the programme in its current form. For example, the schedule for oil sands projects provided a rate of return which did not start to recognise the risk involved in such mammoth undertakings. Such projects were crucial to Canada, he said, because they would recover significant additional production from ageing oil fields.

Unfortunately, Imperial had already been forced to shelve a major enhanced recovery project in Alberta because the *return was far too low*. All these problems resulted from provisions in the programme which unnecessarily restricted new investment in exploration and development, such as the 8 per cent petroleum and gas revenue tax.

Mr. Armstrong said another provision—the retroactive right which is given to the Crown of a 25 per cent *interest* in any development in the Canada lands—should alarm every businessman in Canada.

Among renewable energy resources the most investment over the next 10 years would take place in hydroelectric power, Mr. Camille Dagenais, chairman and chief executive of the SNC group said.

He told the conference that Newfoundland had substantial hydroelectric potential in Labrador, The Muskrat Falls and Gull Island sites there had a potential of 2,300 megawatts. Some of the northern rivers would have an even greater collective potential.

Quebec was Canada's richest province in water power and had 9,000 megawatts of new generating capacity under construction now.

The province foresaw a generating capacity of 39,000 megawatts by 1990, much of it in the James Bay region.

Dumping row in U.S. over aluminium sales

BY ROY HODSON

AN UPSURGE in sales of recycled aluminium ingot into the U.S. by British-based companies has led to allegations of dumping.

The U.S. Government has been asked by metal processors and traders belonging to the Aluminium Recycling Association to investigate charges that imports from Britain are being sold at less than fair prices in the U.S.

At least part of the unusually large volume of recycled ingots shipped by British companies in recent weeks is understood to have been sold to U.S. foundries and traders at prices ranging between 10 per cent and 16 per cent below ruling U.S. domestic prices.

U.S. Census Bureau figures show that 1,300 tonnes of secondary metal ingots worth approximately £1m was shipped from Britain to the U.S. in January while British Customs and Excise figures record the trade running at nearly 2,000 tonnes in the month.

The trade is now at least four times heavier than during 1980 and many times bigger than in previous years. Only 400 tonnes of recycled ingot were shipped from Britain to the U.S. in the whole of 1979.

Two of the biggest recyclers of aluminium in Britain are subsidiaries of the North American aluminium giants Alcoa and Alcan. In addition, there are some big independent secondary smelters and a number of smaller plants.

The origins of the new business in recycled metal with the U.S. have not been identified. But the metal is thought to originate in Britain rather than from surplus stock shipped from Continental Europe.

British traders are sceptical of the American complainants being able to justify a case of dumping on the grounds that the metal is being sold in the U.S. at prices substantially below domestic rates.

The depression in the motor vehicles industry has provoked a world surplus of recycled aluminium—most of which is used for engine castings. Producers are having to accept exceptionally low prices to win orders.

Soviet-Comecon trade rises 10% in value

BY DAVID SATTER IN MOSCOW

SOVIET trade with Comecon rose in value by 10 per cent last year as trade volume grew substantially with the major East European allies, particularly East Germany, but the value of trade still expanded more slowly than that of the Soviet Union's trade with the West.

Statistics published in the latest weekly Ekonomicheskaya Gazeta showed that the Soviet Union's trade with Comecon last year had a value of Roubles 45.7bn (£30.7bn) compared with a value of Roubles 41.6bn in 1979.

This increase in trade with Comecon of Roubles 4.1bn accounted for most of the Soviet Union's increase in trade with socialist countries but was still less than the increase in the value of trade between the Soviet Union and the West last year of Roubles 5.8bn.

The Soviet Union has reduced its oil exports to the West while maintaining a high level of exports to Comecon but the Soviet Union charges OPEC prices to its Western customers and the world price of oil and gas has been rising fast enough to push up the value of Soviet exports to the West despite the decline in volume.

The Comecon countries pay protected prices for Soviet oil which are figured on the basis of a five-year sliding scale.

According to Ekonomicheskaya Gazeta, the Soviet Union registered its largest increase in trade in Comecon with East Germany, its most important trading partner. The value of trade reached Roubles 9.2bn, a 13 per cent increase over the value of trade in 1979 which was Roubles 8.1bn.

The Soviet Union's largest percentage increase in trade in Comecon was registered with Romania where the value of trade last year was Roubles 2.8bn, a 30 per cent increase over the value of trade in 1979 which was Roubles 2.1bn.

Japan battles against foreign mixed credits

By Richard C. Hanson in Tokyo

JAPAN'S new policy on mixed credits is to match offers from other countries when competing internationally for major plant export orders, the Ministry of International Trade and Industry said yesterday.

Mixed credits involve blending official aid with commercial credit to lower the overall interest rate cost to buyers of large plant and equipment.

The Government hopes to discourage, not increase, their use by other countries, especially France, MITI declared in a clarification of policy defined by the Cabinet last week.

The aim is to give Japan a "strategic" weapon to counter the growing use of mixed credits, which have proved a convenient loophole in the international agreement on guidelines for the use of official export credit.

MITI said its new policy arose from several recent occasions when Japanese companies had lost large plant export orders because of generous credit terms offered by competitors.

Two examples were cited. The first was in Honduras where West German companies won the order for a hydroelectric power plant and the second was in Algeria where British companies won an iron and steel equipment order.

Japan recognised the danger of countries trying to escalate the mixed credits war as a result of its action, but MITI hoped this would not be the case. "We want something similar to a non-proliferation treaty on mixed credits," an official said.

Massey set for Saudi joint venture deal

By Paul Cheeseright

MASSEY-FERGUSON, the UK's major tractor manufacturer, is in the final stages of establishing a Saudi Arabian joint venture company with its local distributors E. A. Juffali, cementing a relationship which stretches back over 30 years.

The joint venture company, Saudi Tractor Manufacturing, will assemble MF tractors at a new plant near Jeddah, using mainly UK components.

The establishment of the new company will probably mean that MF's newest contract for the supply of 2,300 tractors powered by Perkins engines, will be one of the last with Saudi Arabia for complete machines.

The contract, the first inkling of which came from the Canadian parent company in Toronto on Wednesday, also covers 8,500 implements like ploughs, tillers and trailers, to be supplied from a variety of sources, and is worth a total of $41m (£18.1m).

Delivery of the equipment will be made this year, but will make little difference to the employment levels at the group's Coventry factory. MF said that it was in any case the only UK tractor manufacturer working "more or less" on a four-five day week.

MF's planned switch from direct UK sales to Saudi Arabia towards local assembly is a reflection of the growing insistence in Saudi policy on the development of a larger manufacturing base.

No details of the agreement with Juffali are yet available, but once the joint venture company has been established, it would be in line, under present Saudi policy, for substantial loans and grants from the Saudi the authorities.

World surplus of LPG 'expected by 1985'

BY MARTIN DICKSON, ENERGY CORRESPONDENT

A WORLD surplus of liquefied petroleum gas is expected by the mid-1980s and could persist until 1990 unless producers restrain prices and allow LPG to penetrate a wider market, according to a report by the Economist Intelligence Unit.

The report says that the export potential of members of the Organisation of Petroleum Exporting Countries will treble between 1979 and 1985 to 36m tonnes a year. It could reach 42m tonnes by 1990.

The biggest supplier will be Saudi Arabia, able to export 14.5m tonnes by the end of the decade, followed by Algeria with 7.5m tonnes and Iraq, between 5 and 6m tonnes.

Non-OPEC nations should have annual export potential of up to 3.7m tonnes by 1985 and up to 4.7m tonnes by 1990. Depending on price movements, there could be a world surplus of 6b to 17m tonnes in 1985.

Brij Khindaria in Geneva reports on problems facing exporters bound by a delicate neutrality

Switzerland bends with the political tradewinds

WHEN President Ronald Reagan recently announced continuation of embargoes on grain and technology sales to the Soviet Union, the Swiss Government sent a private circular to exporters asking them to show restraint in their business deals with the Russians.

For Switzerland the current chill in trade relations between the West and Russia poses delicate problems, especially because of the severe difficulties currently faced by Swiss exporters who must find new markets for the sake of survival.

Because of its neutrality, Switzerland has traditionally kept doors open to all sides and has not adhered to any trade or other sanctions. But it has tended to voluntarily show restraint to obey the spirit if not the letter of Western sanctions in order to keep good relations with its largest customers.

Switzerland sighed with relief when European Economic Community countries failed to work up a common front of economic and trade sanctions last year against Iran, a major customer during the late Shah's reign. The release of U.S. hostages has now further untied Swiss hands, and companies, including Brown Boverie and Oerlikon Buehrle are preparing sales initiatives particularly for construction projects in Iran.

Awkward questions about implications for trade posed by Switzerland's neutrality also remain unanswered concerning exports of nuclear technology. The U.S. is still annoyed by Swiss sales of components to Pakistan for use in an uranium enrichment plant.

In the years following the 1973-74 oil price increases Switzerland shaped a singular foreign trade policy grounded in its political commitment to 'active neutrality.' M. Pierre Aubert, the Swiss Foreign Minister, defines this concept of neutrality as independence from all groups of foreign nations while retaining the right to have distinct opinions which might occasionally be the same as those of other countries.

The political and economic uncertainties of the 1970s saw a rush of events which honed the concert into a kind of tight-rope act in trade. The Government had to keep a careful balance between the interests of beleaguered Swiss exporters and the need to dispell the impression that political neutrality was being used to step into vacuums in certain foreign markets created by U.S. and Western European embargoes.

Growing coolness between the NATO and Warsaw Pact allies added urgency to the need for Switzerland's trade policies especially towards Eastern Europe to be seen as being above reproach.

Both M. Aubert and Herr Fritz Honneger the Economy Minister, are currently reviewing means by which Switzerland can retain its credibility as an even-handed trading partner of the West, one which does not take advantage of curbs on other Western exporters to expand its eastern markets.

Pierre Aubert, right, Switzerland's controversial Socialist Foreign Minister, who is in line to become vice-President of the confederation next year. A strong supporter of East-West co-operation, he is firmly in favour of Swiss neutrality. He is often accused of extreme Conservatism. He has regularly spoken in favour of freer flows of information and of more co-operation and involvement with Eastern Europe.

Such credibility depends a large part of the goodwill Switzerland encounters in trade talks with both the U.S. and the Common Market.

Switzerland's position as a tiny exporting country squeezed between East and West without belonging to either camp is an uncomfortable one. About 70 per cent of Swiss exports go to Western industrialised countries including the EEC, the U.S. and Japan, compared with less than 5 per cent to Communist countries.

But nearly 90 per cent of Switzerland's fuel oil supplies come from the Soviet Union leading to a massive SwFr 800m (£188.2m) trade deficit in 1979. The Russians, who buy mainly machines, chemicals and industrial components from Switzerland, are also major participants in the Zurich precious metals markets and sent SwFr 86m worth to Switzerland in 1979.

The chief means used by M. Aubert and Herr Honneger so far to restrain Swiss exporters were appeals backed by the threat to peg export levels to previous year averages if the appeals were ignored. In fact, Swiss trade with Eastern Europe increased by only 0.3 per cent last year compared with a 14 per cent increase with members of the Organisation for European Co-operation and Development (OECD).

Switzerland's trade restraint in both Iran and Eastern Europe has allowed the U.S. to continue to trust it as an intermediary handling U.S. affairs in Iran under both the Carter and Reagan Administrations.

But the credibility of "active neutrality" in trade is unexpectedly coming under threat from the Common Market, which buys nearly half of Swiss exports while selling only about 2 per cent of its exports to the Swiss.

Switzerland has 80 trade and economic accords with the Community, the largest number of any single country. Free trade exists under a 1972 agreement in all industrial goods except for low customs duties on sensitive goods including paper products, specialty metals, watches, refined oil products, cars, films, and certain textiles.

The Community suspects Switzerland is allowing other countries to break rules of origin requirements by sending their goods to the Ten through Swiss companies

Switzerland has steadfastly refused to conclude an association agreement with the Community but, it is now almost as closely tied to the Ten by "second generation" agreements.

The Swiss Government is currently studying how it can retain its economic independence despite the accords. The threat is felt because Switzerland has been forced to conform unilaterally to EEC-wide standards in several areas simply to be able to compete on equal terms with Community producers, or to keep pace with expensive technological developments.

The "second generation" agreements are varied and go far beyond trade issues. One new agreement Switzerland would like is a harmonisation of insurance industry rules which would allow Swiss companies to open branches in Community countries for non-life insurance.

Mobil raises prices at the pump

BY SUE CAMERON

MOBIL yesterday followed the lead set by Esso on Wednesday and raised its pump petrol prices by 2p a gallon.

But all major oil companies—including Esso—are continuing to give massive price support to their dealers.

There was speculation yesterday that Esso may actually have increased its price support to some dealers at the same time as it raised its petrol prices by 2p a gallon. The company, which leads the UK petrol market with Shell, refused to comment on whether it had done so or not.

But Esso did confirm that it is giving all its petrol retailers price support worth 3p a gallon. In areas where competition at the pumps is fierce, the company is evidently giving dealers a further 3p or 4p a gallon—which means total price support of 6p to 7p a gallon.

Last night the Motor Agents Association said the situation was "like a fairy tale . . . a cloud cuckoo land."

Esso admitted that in most areas its petrol price rise was unlikely to be reflected at the pumps until Monday. Esso dealers would be keeping an eye on "local conditions."

Shell, BP Oil and Texaco are expected to put up their petrol prices in the next few days.

Other big petrol companies could be waiting to see how Esso and Mobil fare in the market place before they follow suit. Some industry experts believe there is a chance that companies like Shell could reduce the price support they are giving to dealers instead of putting up their schedule prices.

One major oil company admitted that there was no chance of making higher pump prices stick in certain areas of the country—notably parts of the North. But observers believe that the wholesale increases, which will take average pump prices to between 152p and 154p a gallon, could be maintained in the South.

Some industry experts say the advantage to the oil companies of giving sizeable price support to dealers, while at the same time raising wholesale prices, is that the majors then have greater flexibility.

A schedule price increase applies across the board, they point out, whereas price support can be increased or withdrawn on a much more selective basis. This enables the oil companies to adjust more easily to particularly fierce competition at the pumps in given areas.

Company summoned over £30m power bill

By Roy Hodson

A DISPUTE over an outstanding electricity bill of nearly £30m is expected to be resolved in the courts.

British Aluminium has received a summons from the North of Scotland Hydro Electric Board in connection with disputed charges for the supply of electricity to the Invergordon aluminium smelter.

British Aluminium said yesterday: "The claim by the Hydro Electric Board is not accepted and will be strongly resisted.

"However, British Aluminium welcomes this development as it represents a positive step towards the resolution of the matter. It would be inappropriate to make any further comment at this stage because it is the subject of legal proceedings."

The courts will be invited to examine the troubled history of the Hunterston B nuclear power station on the Clyde. British Aluminium set aside £19.4m in its 1979 accounts to provide for disputed charges for the supply of electricity to Invergordon.

The power charges had been related to the performance of Hunterston B, which was out of service from October 1977 to early 1980 because of an accident. Sea-water entered the cooling system, putting one of the two reactors out of service.

British Aluminium, acting on legal advice, did not accept liability for any of the disputed charges and waited for the Hydro Electric Board to take action while continuing to make provision for the disputed charges.

The latest British Aluminium preliminary results show that £29,916,000 had been set aside up to the end of December 1980 for disputed revenue and capital charges together with provision for interest on the withheld payments.

During the years of Hunterston's difficulties British Aluminium has argued that failure of the power station to meet designed performance is not the company's responsibility.

● The South of Scotland Electricity Board yesterday announced tariff increases of an average of 11 per cent—similar to those of the North of Scotland Hydro Electric Board—from April 1.

Naphtha demand drops by 32.7%

BY SUE CAMERON, CHEMICALS CORRESPONDENT

BRITISH demand for naphtha—the most important of the petrochemical industry's raw materials—dropped by 32.7 per cent last year compared with 1979, according to figures released yesterday by the Institute of Petroleum.

The drop in volume sales of naphtha was greater than for any other major oil product. It reflects the disastrous impact of the recession on the UK petrochemical industry, which was already suffering from overcapacity.

None of the major UK chemical companies made profits on their petrochemicals businesses in the latter part of 1980 and a number of groups have since reported substantial losses in this field. Earlier this month British Petroleum announced that its chemicals operations had made a loss of £135m in 1980. Imperial Chemical Industries' petrochemicals division made a loss of £44m as against a trading profit of £94m in 1979. ICI is now planning to merge its plastics and petrochemicals divisions.

Industry experts say the slump in naphtha sales has hit the oil companies hard, especially following the big fall in demand for heavy fuel oil and for other oil products.

The Institute of Petroleum figures show that volume sales of naphtha — or light distillate feedstock — in the UK fell from 4.8m tonnes in 1979 to 3.2m tonnes last year. The statistics also show that UK sales of heavy fuel oil — the biggest of the oil products in volume sales terms — dropped by 30.8 per cent from 22.7m tonnes in 1979 to 15.7m tonnes last year.

The recession and the increased use of coal in power stations instead of fuel oil are the main reasons for the drop in heavy fuel oil demand.

During the greater part of last year and the early part of this, many British Petrochemicals plants were running at only 60 per cent of capacity. A number were actually shut for extended periods for maintenance.

Most big petrochemical companies buy naphtha on contract from the oil companies. The current European contract price is about $358 (£162.8) a tonne. Negotiations on the contract price for the second quarter of the year are now underway but little change is expected.

The Institute statistics show that the overall drop in UK demand for oil products was 15 per cent — equivalent to just over 13.6m tonnes. Total consumption of oil products in Britain last year was 77.5m tonnes.

But although the general picture was a bleak one for the oil companies, demand for three oil products did rise slightly — petrol, aviation turbine fuels and ethane gas. Petrol sales rose by a total of 2.2 per cent.

Britain's fuel imports cut by £1bn

BY MARTIN DICKSON, ENERGY CORRESPONDENT

RISING North Sea oil exports helped slash Britain's net fuel import bill by nearly £1bn in 1980 compared with the year before.

The UK's net fuel import fell 50 per cent last year in volume—from 50.7m tonnes of coal equivalent (tce) to 25.3m—according to the latest issue of Energy Trends, the Department of Energy's statistical bulletin.

In value terms the drop was even steeper. Net imports fell from £1.45bn to £479m.

The improvement was due mainly to falling imports and increasing exports of crude oil at a time of rapidly rising oil prices.

Britain's total fuel exports rose 4.5 per cent in volume during 1980, to 98.7m tce, and by 48 per cent in value to £6.4bn. Crude oil exports rose 11 per cent in volume, to 28m tce, and 55 per cent in value, to £4.2bn.

Fuel imports fell 14 per cent to 124m tce, with crude oil down 22 per cent on 1979 to 76.1m tce. However, the value of oil imports rose 16 per cent, to £4.29bn.

Britain was a net exporter of crude oil in volume terms for the first time in the last quarter of 1980 and had a £97m surplus in its balance of trade on fuels.

The recession continues to depress the UK's energy consumption. In the three months to last January consumption was down 7.5 per cent on the same period a year earlier. The use of oil products was 13 per cent lower, coal 7.3 per cent lower and natural gas 1.2 per cent lower. On a seasonally adjusted and temperature corrected basis the overall fall was 5.9 per cent.

Oil production during the three months was 21.7m tonnes, a rise of 2m tonnes, or 10.2 per cent, on a year earlier.

North Sea diving practices criticised

FINANCIAL TIMES REPORTER

THE STANDARD of North Sea diving supervision was criticised yesterday by Mr. Dutchy Holland, general manager of Oceaneering International Services, a leading international diving company.

He told a final session of the Association of Offshore-Diving Contravtors' symposium in Aberdeen that one in three fatal diving accidents in the North Sea could be attributed to poor supervision.

Whereas the general standard of supervisors was high, some were marginal if not inadequate. "There are oddballs running around. We have got to get rid of them. They are potential accidents," he said.

He said it was the diving contractors' responsibility to fix their own standard for supervisors. Mr. Holland in the industry for 30 years, advocated a standard for house-training procedure for all companies, to avoid Government involvement.

Mr. Holland criticised the offshore industry for providing hyperbaris life-boats, which are used in rig evacuations to rescue divers still under pressure. These had been reserved for political motives rather than because they were properly-tested rescue craft.

The boats, seldom if ever used, had been installed to satisfy "polithical demands." He said they had not been tested in those conditions in which they were expected to support divers under pressure for 24 hours in the North Sea.

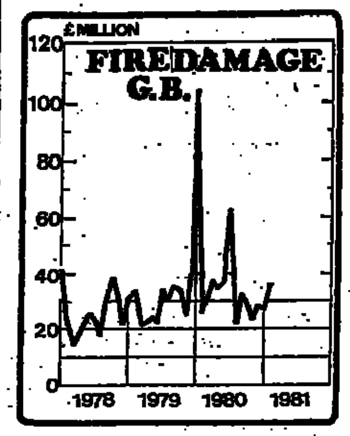
Proper testing in simulated North Sea conditions would best be carried out by those who designed and built the hyperbaric boats, he said.

Fires in February cost £36.7m

By Eric Short

TWO BIG fires at warehouses near Birmingham caused fire damage figures for February to climb by over £8m to £36.7m, according to figures published yesterday by the British Insurance Association. The figure for January was £28.3m and for February 1980 £26.7m.

The biggest occurred at the British Telecom warehouse at Saltley in Birmingham, which contained exchange and telephone equipment. The association estimated the damage at £6m, but was waiting for a final assessment from British Telecom, which said costs would probably be between £7m and £8m.



Other big fires in February caused £3m in damage to scientific equipment at the warehouse of Philip Harris in Shenstone, near Lichfield, and destroyed the main part of the 18th century Old Felbridge Hotel near East Grinstead, at a cost of £1.64m.

The rise in damage last month reverses a trend which has seen costs falling for several months compared with the previous year. Last year fire damage costs reached a record £469.3m.

These figures are for total damage incurred, not just insured costs. British Telecom carries its own insurance risks.

Concession on taxation was 'a mistake'

By Lisa Wood

THE APPARENT acceptance by the Inland Revenue of a woman paying 40 per cent of her taxes to the Ministry of Overseas Development—her estimate of the percentage of direct taxation spent on defence — was yesterday declared a "mistake."

Recently, the Inland Revenue, under discretionary powers, had accepted two cheques from Miss Jennie Aste, a self-employed bookbinder from York, who is a supporter of the Campaign for Nuclear Disarmament.

However, yesterday the Inland Revenue, said: "A local collector of taxes referred Miss Aste's request (to elect out of the Government spending her taxes on arms) to head office. There was a near-precedent and the official at head office thought he could make a concession. This was a mistake, it not wrong.

Companies told to explain lack of current cost accounting

BY CHRISTINE MOIR

THE Stock Exchange quotations department has written to about 15 companies, including BL, asking them to explain why their most recent preliminary profits figures did not include a current cost accounting statement

In February the Stock Exchange confirmed in writing to all listed companies that preliminary announcements for accounting periods which began after January 1, 1980 would be required to include a CCA statement in accordance with the accounting standard SSAP 16.

The first of these announcements have just begun to trickle through and although there is a "high degree of compliance," according to the Stock Exchange, some companies have not provided the CCA-adjusted figures.

Each company has received a stiff letter asking for its reasons for non-compliance.

Some confusion has arisen in recent weeks over the force of the requirement by the Stock Exchange. The "Yellow Book," which contains the Stock Exchange's rules governing listing in the market, includes a statement that "any significant departure or non-compliance with the applicable standards must be disclosed and explained."

Some companies have interpreted this statement as a loophole by which they can avoid applying SSAP 16 amendments to their preliminary statements so long as they inform the Stock Exchange that they are doing so.

Mr. George Nissen, vice-chairman of the Stock Exchange and the council's representative on the Morpeth Committee on inflation accounting, yesterday denied that the Stock Exchange would allow the Yellow Book statement to be used as a loophole.

"We will listen to sound and serious reasons why companies cannot comply at present," he said, "but we are not softening ourt attitude."

"The council notice requiring CCA statements in preliminary announcements is simply an automatic extension of what the accounting standard compels companies to do, so we would require good reasons why the extension is not made."

One reason which the quotation department is likely to accept, it seems, is pressure of time and other priorities. Companies involved in financial reconstructions or rescue operations are likely to be excused from CCA preliminaries on the grounds that other matters have more claim on their time.

The Stock Exchange has deferred interim CCA statements until companies have produced two sets of full accounts in compliance with SSAP 16. The first interim CCA announcements, therefore, will not apply to periods ending earlier than the end of June 1982.

Lloyd's audit manual proposed

BY JOHN MOORE

HIGHER STANDARDS in accounting practices at Lloyd's of London have been urged by the Consultative Committee of Accountancy Bodies.

In a memorandum to the 16-strong ruling Lloyd's committee, published yesterday, the accountancy profession says efforts should be made to enable auditors to report on Lloyd's insurance syndicate accounts "in true and fair" terms.

The consultative committee welcomes the opportunity to contribute to the study of the Fisher report on self-regulation at Lloyd's. It stresses the importance of the committee's close involvement in formulating technical rules for accounting and auditing practices to be used in self-regulation.

The memorandum suggests that accounting and audit requirements for Lloyd's members should be brought into line with company law and that accounting and auditing standards should apply.

Accountants see a proposed accounting audit manual as a significant advance and urge that its text is agreed with them so that they can make sure accountants use it.

The accountants are also concerned that the means of Lloyd's members, who have to declare their personal wealth on seeking admission, are effectively scrutinised. Members usually have to show personal wealth of £100,000.

BBC Enterprises seeks big profits

BY ARTHUR SANDLES

THE BBC hopes to make £50m to £70m a year profit from commercial activities by the end of the decade, according to chairman Mr. George Howard. But this would not have a major impact on the corporation's licence needs.

Speaking to the Broadcasting Press Guild yesterday Mr. Howard announced a gift token scheme for licence-fee payments and pressed for a continuation of the fee system. He rejected suggestions for a grant-in-aid system and proposals for advertising on BBC radio and television.

Mr. Howard said the reorganised BBC Enterprises would get its profits from several sources. "Pay-TV will produce very significant profits. There are American sales, too, both through our arrangement with RCTV (a cable company) and our sales through syndication." To this had to be added merchandising and publications.

"However, no matter how well we do, I cannot see us getting more than £50m to £70m profit ut of this, which in relation to our total revenue is only 10 or 15 per cent at the most," he said.

The BBC gift tokens will be for full or part payment of the licence fee and can be sent to relatives or friends. Recipients of the tokens will be able to trade them for licences at the local post office. They can also be exchanged for cash.

The tokens will range from £2 to £34, the full cost of a colour licence.

The present savings stamp scheme is used by one in six licence holders.

Midland admits branch was 'inefficient'

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

MIDLAND BANK yesterday took the unusual step of issuing a public statement admitting that administrative and communication arrangements in one of its branches were inefficient.

Midland said it was "deeply concerned" that after an invitation to a customer, Miss Janice Campbell, to call at the bank's Barking branch she was arrested on the premises.

An investigation into the case had revealed inefficiency within the branch. "We can confirm that Miss Campbell was not locked in the branch, but we can understand that Miss Campbell might have thought differently in view of the internal security arrangements applicable to all branches."

Midland assures present and potential customers that procedures such as this, "where unauthorised overdrafts occur by the use of a cheque card" have been reviewed. "Suitable action will be taken to prevent any repetition of these circumstances."

Midland will not be seeking repayment of the £400 overdraft which Miss Campbell has run up on her account. It said that her college grant, which was due last October, had not yet been paid into the account.

"We propose to continue with our 'Listening Bank' campaign, which in our view reflects correctly the attitude of our managers to our customers countrywide," the statement said.

Refrigeration profits hope

BY JAMES McDONALD

CONTRACTORS and distributors in the refrigeration and air-conditioning industry should be able to re-establish the good profit margins of the late 1970s, once the recession eases.

But the outlook for manufacturing companies in this sector is not as good, says an industry sector analysis by ICC Business Ratios.

Manufacturers were experiencing declining returns on capital "long before the recession began to bite and the percentage of companies making losses will increase in 1981," says the survey.

The survey—which analyses the financial and managerial performance of 99 manufacturers, contractors and distributors over three years to January 1980—says the five manufacturers in the survey with the fastest sales growth also scored well on every measure of profitability.

"This clearly suggests that competitive pricing and cutting margins does not lead to increasing or even maintaining market share," says the report.

"What will be most important for a manufacturer in the next few years will not be good marketing, competitive pricing, or even high efficiency. It will be getting the product range right.

"This means making choices, committing funds for investment and taking risks."

Refrigeration and Air Conditioning, ICC Business Ratios, 81 City Road, London EC1, £95.

Special stamps mark International Year of Disabled

A SPECIAL SET of four stamps has gone on sale to mark the International Year of the Disabled.

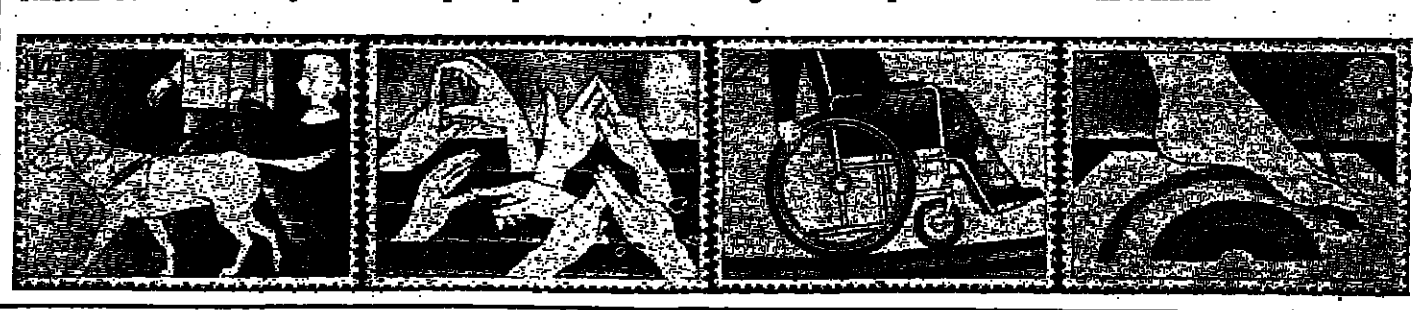
The stamps are designed by Mr. John Gibbs—his first special set for the Post Office.

They reflect some of the aims voiced by the United Nations General Assembly in announcing that 1981 would be the International Year of the Disabled. They depict prevention of disability, increasing awareness of the needs and abilities of the disabled, generating more positive attitudes towards disabled people and help so they can participate more in society.

On the 14p stamp a blind man and his guide dog are featured, while the 18p depicts hands spelling out the word "deaf" in sign language.

The 22p stamp shows a disabled person in a wheelchair—a design intended to highlight the problems encountered by disabled.

The 25p stamp shows a disabled artist painting by foot. Painting and drawing by mouth or foot has enabled many handicapped artists not only to express themselves but also to demonstrate their many abilities rather than disabilities.



Scottish councils' plea

MR. WILLIAM FITZGERALD, the Conservative Party president of the Convention of Scottish Local Authorities, attacked the Government yesterday for "interfering with services provided by the local authorities."

Opening the convention's conference at Dunblane, Mr. Fitzgerald, who is Tory convenor of Tayside Regional Council, said he had hoped for greater co-operation from the Government.

The traditional role of councils had been to provide and improve local services — but inflation had created a nightmare in which the national Government was attempting to interfere with that role.

"I can not help feeling that a fairer balance might have been achieved between services and savings," he said.

Mr. Robin Duthie, chairman of the Scottish Development Agency, outlined its plans for the 1980s. The principal tasks would be to get more small businesses started, to improve depressed areas and to support all growth sectors.

"We are planning to develop industries in areas with major closures and redundancies, as well as the contiuation of the projects in Clydebank and the Garnock valley. We will also be starting similar projects in rural areas," he said.

The SDA was aiming to attract inward investment, was anxious to improve chemical and petrochemical industries, and was looking into the possible developments of health care.

EEF to consider broadening scope

BY ALAN PIKE

THE 5,000 member companies in the Engineering Employers Federation, the largest industrial relations organisation of its kind in Britain, are to be asked whether it should be transformed into a body representing much wider engineering industry interests.

This could lead to the EEF attempting to co-ordinate and take over at least some of the work currently done by more than 50 trade associations in various sectors of the industry to produce a united voice within British engineering.

In recent years the EEF has become involved in commercial and economic matters outside traditional industrial relations activities, both in Britain and the EEC. The possibility of a new type of federation will be suggested to members by Mr. Anthony Frodsham, director general, in the EEF annual report next month.

By broadening the scope of its activities the federation may attract companies which would not join for industrial relations purposes. In spite of its size, the EEF represents less than half of all engineering employers.

Mr. Frodsham told EEF officials recently that he believed there were many engineering issues which could be handled with maximum effectiveness, coherence and continuity only by a single representative body.

While this body would not become involved in specialist activities like trade fairs, there were matters of general interest to engineering where it would be "foolish not to extend the contribution which the federation can make on behalf of the industry."

He believed the EEF should encourage its members to "consider the advantages of seeing their interests served by an umbrella body capable of handling effectively the full range of problems with which we are confronted."

In his report next month Mr. Frodsham will ask member companies to consider whether the EEF's independent regional associations should be united.

If support emerged from member companies Mr. Frodsham would like work on achieving them to begin this year. His contract as director general expires next year.

The possibility of the EEF broadening its spheres of influence comes at a time when it has been experiencing uncertainty about its traditional territory.

Since the 1979 engineering dispute some companies have questioned the value of continuing national negotiations with the Confederation of Shipbuilding and Engineering Unions, while others see no point in remaining in the EEF if they are discontinued.

An internal EEF inquiry, the Wilson Report, concluded that it was desirable to maintain national negotiations on conditions of employment, but that there might be a case for ending national pay agreements. No immediate changes in the present bargaining structure are likely; they could, in any case, be achieved only with union support.

£700m worth of orders for Dash 524

By Lynton McLain

ROLLS-ROYCE has orders worth £700m for the most powerful version of its RB211 jet engine, the Dash 524, and double that if spares are included over the life of the engines.

The news was announced yesterday after two of the company's directors received awards for "the excellence of Rolls-Royce engineering."

Mr. Alan Newton, the director of engineering at Rolls-Royce and Mr. Cyril Elliott, an assistant engineering director, received the award from the 300-year-old Worshipful Company of Coachmakers and Coach Harness Makers.

The donators of the award said the excellence of Rolls-Royce engineering had made *the RB211-524* engine "the leader in fuel economy" and had given it a "reputation for reliability, integrity and safety."

Mr. Newton said at the award ceremony at Gatwick Airport, Surrey, that Rolls-Royce was investing tens of millions of pounds a year in advanced engineering and research.

"This has kept our engines ahead of the competition.

Jobless survey offers no relief

BY JAMES McDONALD

ALTHOUGH the rate of decline in job prospects has become slower, a survey of 1,434 employers with over 1m employees shows no relief for unemployment levels in the three months to the end of June, says Manpower, the work contractor.

The great majority of the employers, 73 per cent, do not expect any improvement in production levels in the next six months and these are evenly divided between those who believe an upswing in their trade will come within 12 months and those who think it will take longer than a year.

This pessimism is reflected in staffing prospects, with 24 per cent of the employers planning staff reductions during the next three months compared with only 11 per cent forecasting staff increases.

The survey shows that the decline in job prospects in manufacturing industry has been checked. Staff increases are forecast in the next three months by 12 per cent of the manufacturers in the survey sample, compared with only six per cent in the last quarter, and staff decreases are planned by 24 per cent, as against 30 per cent in the last quarter.

The relative improvement in manufacturing industry prospects suggests that staffing levels in many companies have been reduced to their minimum in recent months and that demanning programmes are proceeding at a slower rate.

But Manpower points out that the survey replies were received before the Budget. There are indications that the Budget results have "further depressed prospects in the short term for many industries."

The most relatively optimistic sectors in the survey are banking, hotels and catering, chemicals and clothing manufacturing, where a higher than average proportion of companies expect some relief within six months. Yet in these sectors a slightly larger proportion of employers remains less optimistic and forecast that an upswing in output will take longer than six months.

The most pessimistic employers are in the public sector—local government, utilities and public building. Other sectors notably depressed in their forecasts include construction, insurance, textiles manufacturing, transport and the distributive trades.

Laser checkout system in supermarkets spreads

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

NEARLY HALF the grocery products sold in supermarkets now carry a "*bar-code*" which can be scanned by electronic checkout systems, according to figures published yesterday.

Delegates to the Article Number Association conference meeting in London were told that at least 40 supermarkets would be using the new laser-scanning checkouts by 1983. At present about half a dozen stores use them.

The new systems use a low-power laser installed at the checkout which automatically reads the bar-code printed on the label. This code, a series of black lines, represents a 13-digit number identifying the product.

Food manufacturers are being allocated numbers from the 10bn stored by the Article Number Association for each product. The number can identify the weight, size, and contents.

When the laser scans this information, the price of the product in that store is retrieved from the main computer and printed on a till receipt. The receipt also includes a description of the products bought.

The systems, already widely used in the U.S. and Europe, are said to reduce checkout queues. But the main advantages for stores are in more productivity and better stock control.

Mr. Donald Harris, a Tesco director and chairman of the association, said yesterday: "With 50 new items being bar-coded every week, we are rapidly approaching the magic 70 per cent level of goods by volume at which checkout scanning certainly becomes economically viable.

Contractor cleared in steel strike case

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

AN OBLIGATION on engineering contractors Otto Simon Carves to "afford access" to a site at Port Talbot to a sub-contractor, was not broken when steel strike pickets stopped the sub-contractor getting to the site, a High Court judge has ruled.

Mr. Justice Goff, in the Commercial Court, dismissed an appeal by the sub-contractor, LRE Engineering Services, against an arbitrator's finding. The arbitrator had ruled that OSC had not been bound to ensure LRE had access whatever the circumstances.

LRE had a sub-contract for work at the British Steel Corporation's works at Port Talbot. During the steel strike last year access to the site was blocked by pickets.

LRE was unable to get on to the site to complete its contract. It contended that there had been a breach of the access clause of the contract, which amounted to repudiation of the contract by OSC.

The judge said that OSC was contractually obliged to provide the physical means of access, which it had done by the provision of roads from the perimeter of the works to the site.

The activities of the pickets had prevented access, but that had not been a breach of OSC's obligation.

He refused LRE leave to appeal against his judgment.

Hull and Ulster borrow £6m from EEC bank

BY JAMES McDONALD

THE EUROPEAN Investment Bank (EIB), the European Community's Bank for long-term finance, has lent the equivalent of £6m for road improvements in Northern Ireland and the extension of the telecommunications network in the Hull area.

The £5m loan, to the Northern Ireland Department of Finance, goes towards the £40m cost of 17 road improvement schemes. These will remove bottlenecks on main trunk routes, ease congestion in Belfast and Londonderry, and improve communications with several industrial zones. The EIB had lent £15m in February 1979 towards the projects.

Kingston upon Hull City Council has been lent £1m towards the £3m cost of improvements to the local telecommunications network. The work is helping to adapt the network to the demand from several new industrial zones on the outskirts.

Converted factory open for use as workshops

BY LISA WOOD

REGENERATION, a property company which convert inner city property for use as small industrial units, has opened a former paint factory, in Wandsworth, London, for letting to tenants.

The 1930s Mercury Decron factory, in Garratt Lane, was refurbished by Regeneration in partnership with the Greater London Council, which bought the lease of the property and sub-let it to Regeneration.

The workshops are comparatively small, about 470 sq ft on average and letting is on a monthly basis, an attractive period for a small businessman who may not be able to afford—or who does not want to commit himself to—a long lease.

Many of the Wandsworth Workshops tenants are starting their first business. Two are chemists making specialist waxes after being made redundant by a big oil company.

Similar projects undertaken by Regeneration have involved partnerships with British Steel and Newham Borough Council, London.

Sir Horace Cutler, GLC leader, who opened the workshops, said conversion of old property was a relatively easy method of providing smaller industrial units and workshops for w hich, inspite of the economic climate, demand was enormous.

Lloyds woos the young

BY ERIC SHORT

LLOYDS BANK is to launch a *regular savings scheme* designed to attract younger savers.

Under the Lloyds Bank Special Savings Plan, open to customers and non-customers, savers have to invest a minimum of £10 per month for at least a year. The plan offers an interest rate of 11 per cent per annum, 2 per cent higher than that paid on ordinary deposit accounts.

The scheme has several other features for the saver, including cheaper personal loans—½ per cent lower than the normal flat rate—and special consideration for a home loan with Lloyds. The bank sees the scheme as of *potential worth to young people* saving to buy a home or incurring other items of major expense.

Withdrawal facilities have some restrictions. Only one withdrawal can be made on each calendar half year up to the balance of the account without notice, and the investor cannot change his monthly investment during the first six months of the plan.

This is the second scheme launched by Lloyds in recent months. Last August it began accepting option deposits paying higher interest rates on capital sums deposited.

Gilmour denies NATO favours nuclear war

ACCUSATIONS THAT the Government or NATO are in favour of nuclear war are "a cheap smear" and a "dishonest attempt to play on the emotions of people," Sir Ian Gilmour, Lord Privy Seal, said yesterday.

The argument that to weaken the West's nuclear forces would not encourage aggression was "like arguing that leaving my front door open would not encourage intruders," he said.

"It flies in the face of commonsense, as well as history," Sir Ian told 930 senior school pupils at a London disarmament conference.

"Both Government and CND are at one in our abhorrence of nuclear war and in our desire to ensure that such a cataclysmic disaster should never befall mankind.

"When I see CND supporters marching under the banner of 'No more Nagasakis' or 'No to Nuclear War,' I too can say amen. What divides us is not the end but the means to achieve it," he said.

Seeking to dispel what he called "the myths" of disarmament, Sir Ian said it was not true that unilateral disarmament would prevent Britain being a nuclear target.

"This is just plain wrong. Of course, we would still be a major Soviet target even if we had no nuclear weapons here because of our obvious military and political importance."

Britain could never become neutral, he said, because by withdrawing from the Western alliance it would destabilise the very political balance in Europe which allowed certain countries to remain neutral.

"Neutrality does not exist in a vacuum, it depends upon a stable balance.

Sir Ian said the idea of a nuclear-free Europe was also withful thinking, because it completely ignored the Warsaw Pact's military superiority in conventional forces.

The reality, he said, was that "our nuclear weapons provide the best protection we have that such weapons will never be used or threatened against us."

Budget forecast 'exceeded by £2.1bn

By Peter Riddell, Economics Correspondent

TOTAL PUBLIC spending in the 1980-81 financial year is likely to be about £2.1bn more in cash terms than proposed in the March 1980 Budget.

Treasury figures published in a paper sent to the Treasury and Civil Service Committee of the Commons show that the main difference between the March 1980 Budget forecast and current estimates is a £1.5bn change in central government spending. Local authority spending is estimated to be nearly £800m higher than planned and there are small extra amounts on certain other items, notably an extra of £200m because of lower than expected special sales of assets.

These increases have been partially offset by a saving of £600m on contingencies (net of allowance for shortfall), producing a net rise of £2.1bn after shortfall. These figures are based on partial information and are subject to revision.

In addition, debt interest payments in 1980-81 are likely to have been £1bn higher than forecast a year ago.

The accompanying table sets out the main items for central government. The Treasury states that the main reasons for these rises have been the direct and indirect effects of the greater-than-expected impact of the recession.

The increases in nationalised industry external financing limits have been charged to the contingency reserve and therefore came within the overall public spending total.

The defence cash limit for 1980-81 was increased by £210m last summer and there is an estimated subsequent overspending of £260m.

The estimated increase in local authority expenditure of nearly £800m is based on limited information about local authority accounts, mainly about borrowing and revenue. There is at this stage still considerable uncertainty about both the total and its components.

The main factors have been an extra £500m in current expenditure on goods and services, an extra £200m in subsidies (mainly the effect of higher interest rates on housing subsidies) and an extra £80m on local lending (probably associated with council house sales).

GOVERNMENT SPENDING

Difference between March 1980 plans and current estimate of central government expenditure in 1980-81 in cash terms.

Increases in:—	£m
Lending to nationalised industires	770
Social Security payments (of which about half related to unemployment)	780
Payments from redundancy fund	250
Defence expenditure	470
Special employment measures	380
Agricultural support	150
Less EEC Budget refund	−550
and other EEC transatcions	−550
Other changes (net)	−70
	1,550

Source: Treasury

Kuwait Oil allowed to pursue claim

By Raymond Hughes, Law Courts Correspondent

AN ATTEMPT to stop Kuwait Oil Company proceeding in English courts with a £1.5m damages claim against Japanese ship-owners failed in the Court of Appeal yesterday.

An appeal by Idemitsu Tanker KK against a High Court judge's refusal to stop the claim was dismissed. Lord Denning said the claim arose from enormous damage caused to the Kuwait company's port installations while Idemitsu's tanker Hida Maru was berthing with the assistance of the oil company's tug in December, 1977.

Before berthing, the tanker's master had signed two contracts with the oil company. One concerned the conditions of use of the port facilities. The other was a towage contract.

Both were in English and governed by English law. Both made the ship-owners liable for damage. The towage contract provided that any dispute would be decided by an arbitrator in London.

London Brick decides to proceed at Ridgmont

BY MICHAEL CASSELL

PROPOSALS by London Brick to develop a £40m brickworks in Bedfordshire, abandoned in January because of planning problems, are to be proceeded with.

The decision to proceed with the scheme at Ridgmont follows yesterday's decision by Bedfordshire county council to approve the plans. In January the council gave permission for construction of a twin brickworks at nearby Stewartby. However, London Brick said the conditions attached made the project impossible. It called off both developments.

The country's largest brick-producer will now proceed with the Ridgmont scheme. The future of the £40m plant for Stewartby remains open. The group has received consent also for a £15m works at Whittlesea, Cambs.

In considering the original Stewartby development plans, Bedfordshire County Council insisted that all pollutants arising from the brick production process be removed.

London Brick said that in spite of every effort to minimise the release of pollutants it could not remove them altogether.

The Ridgmont works will be built in two three-year phases, each phase having a single 400 ft chimney. London Brick said the chimneys will provide the best practicable means of pollution-abatement. It gave undertakings that any pollution-treatment equipment subsequently developed will be fitted to the plant.

The existing Ridgmont works are regarded by London Brick as one of its least efficient production centres. The group announced in February that the plant was to be mothballed with the loss of 1,100 jobs until demand for bricks picked up.

The new decision means that the works instead will be demolished and a new works built, providing work for about 650 people. Construction will wait until the economic climate improves.

Mr. Michael Wright, deputy chairman of London Brick, said last night: "We are pleased with the council's decision because it offers our industry the way ahead as the country moves out of the recession.

"Not only will it offer new jobs in construction but the people employed in the new works will have much better working conditions and greater job security."

The planning permission means London Brick now has planning consent for long-term developments in Bedfordshire, Buckinghamshire and Cambridgeshire.

Demolition of the existing Ridgmont works could begin in the autumn. It will involve removal of 25 existing chimneys.

Textiles recession clause backed

BY RHYS DAVID, TEXTILES CORRESPONDENT

A RECESSION clause tying textile import quotas to demand griwth may be included in the Government's list of proposals for the forthcoming negotiations on a new GATT multi-fibre arrangement (MFA).

Broad sympathy for such a clause — one of the principal demands put forward in recent months by the British textile industry — was offered yesterday at a conference in Harrogate by two Government Ministers — Mr. Cecil Parkinson, Minister of State at the Department of Trade, and Mr. Kenneth Baker, his opposite number at the Departments of Industry.

Mr. Parkinson told the British Textile Confederation's conference that the reasoning behind such a clause — that importers should not have a protected share of the market when demand fell — was right.

"We recognise that if you have a policy based on a set of premises that is proved to be wrong it is a nonsense to carry on as though it was right. The premise was that world trade would expand and that the market would expand too so you could have growing access to a growing market," he said. Britain would go into the negotiations determined to get a recession clause if it could.

At the same time, however, Mr. Parkinson stressed the problems involved in securing an effective recession clause, in particular the technical difficulty in forecasting market trends.

Strong objections are also likely to be raised against the idea by the low-cost suppliers, and even before this stage is reached Britain will have to persuade its EEC partners to include the clause in the EEC Commission's negotiating brief.

He also urged the industry to examine how it might benefit from outward processing — the despatch of fabrics to low-cost countries for conversion into garments and subsequent re-importation.

● Britain should re-examine the case for fully participating in the European Monetary System, Mr. Christopher Tugendhat, the EEC Commissioner with responsibility for the European Budget, suggested at the conference yesterday.

Mr. Tugendhat said he shared the view of the Governor of the Bank of England that the effect on exchange market expectations of a policy of adhering to the EMS margins had been an important factor in stabilising the existing EMS currencies. The same would be true for sterling.

It was argued when the system was launched that linking sterling to strong currencies such as the D-Mark would impose too tight a monetary discipline and keep the pound too high. In the event, however, sterling outside the system had risen at a rate and to a height that had caused great difficulties for British industry.

Mr. Tugendhat also commended Sir Geoffrey Howe, the Chancellor, for lowering interest rates in the Budget. In so doing he had helped to bring British rates more into line with those in major Continental centres.

More steel redundancies agreed

BY ALAN PIKE

THE SUCCESSFUL implementation of the British Steel Corporation's new corporate plan came an important step closer yesterday with agreement on 3,800 redundancies at Teesside.

Agreement was reached at the 16th session of negotiations which began on February 4. The talks were significant not only for their outcome, but because they were the first time BSC has sat down with all 11 unions at Teesside.

Under the agreement, the surviving Teesside workforce will receive 3 per cent lump sum bonuses in March, June and September provided the redundancy programme is achieved on time. It is planned to reduce the workforce to 13,500 by October.

At the end of the redundancies programme a new bonus scheme will be introduced which will enable the Teesside workers to boost their earnings by up to 5¼ per cent.

The total productivity package at Teesside will include closures, shift reductions and a range of other efficiency improvements. A joint BSC-union statement yesterday said that the agreement represented "recognition by all concerned of the need for change to continue a major steelmaking operation in Teesside."

BSC has also reached agreement on redundancies at its tin plate works at Velindre, South Wales. In spite of a campaign by workers to save the plant, the workforce is resigned to the fact that 1,500 jobs out of 2,200 will disappear.

Under the BSC corporate plan about 22,000 jobs will be lost this year in an urgent drive to increase productivity and cut costs. Teesside was regarded as one of the most difficult negotiations, and the corporation is now well on the way to achieving its targets.

Doctors permitted to lease surgeries

BY ROBIN PAULEY

GENERAL practitioners will in future be able to lease surgery premises from an independent body instead of buying them outright or going into Government-owned health centres.

Doctors have been worried about the expense of buying surgeries on sites convenient for patients, particularly in urban areas.

The General Practice Finance Corporation, which lends money to GPs to enable them to buy or improve their surgeries, has set up a purchase lease-back scheme to help doctors build surgeries, carry out substantial alterations or buy sites for development.

When an approved building programme is completed the corporation will repay the loan taken out by the doctor plus any interest charges. The corporation will then own the practice premises and rent them back to the doctor.

Dr. John Ball, chairman of the British Medical Association's general medical services committee, said yesterday that the scheme would enable many doctors to have improved surgeries where previously the high outlay would have made it impossible.

French furniture fetches £397,970

SALEROOM

BY ANTONY THORNCROFT

A LOUIS XIV blue boulle commode sold for £46,000 at Christie's yesterday in a sale of French furniture which totalled £397,970. The buyer will pay an extra 11.5 per cent in premium and VAT. The same buyer purchased a Regency walnut side-table for £18,000. He paid £16,000 for a German mahogany secretaire à abattant, attributed to David Roentgen.

Gismondi, a dealer from the South of France, paid £18,000 for a Louis XIV marquetry commode in the manner of A. C. Boulle. A Louis XIV boulle méuble en deux corps fetched £15,500.

At Christie's South Kensington the Victoria and Albert Museum paid £3,400 for an album of 175 photographs of Australasia in the 1860s. A collection of more than 200 photographs of China in the late 1860s sold for £5,500. A daguerreotype of Egypt in about 1844 by Jules Itier fetched £4,000.

At Sotheby's sale of European water-colours a view of Vienna in 1845 by Rudolf von Alt fetched £10,000. A study of daffodils and daisies by Paula Modersohn-Becker made £5,200.

At Sotheby's Belgravia a Japanese dealer paid £7,200 for a late-19th century Berlin plaque, after Rubens. At Sotheby's Chancery Lane a set, less one, of The Century Guild Hobby-Horse, of 1884-94, fetched £620.

Rural group attacks 44 tonne lorry recommendation

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

THE COUNCIL for the Protection of Rural England yesterday called on the Government to protect the environment from heavier lorries before it allowed their weight limit to increase to 44 tonnes, as recommended by the Armitage inquiry.

The inquiry, appointed by the Government, made 58 recommendations on lorries and the environment covering lorry control schemes, lorry safety, noise, vibrations and fumes as well as calling for lorries 35 per cent heavier than those now allowed on Britain's roads.

The council, in its response to Armitage, attacked the "central contention" in the report that the proposed increase in maximum weights would result in "environmental benefits to the country at large."

The council said that "most of the measures found necessary by Armitage to ameliorate the effect of heavier lorries should be introduced before any decision is taken to allow heavier vehicles on Britain's roads."

It pointed to studies by the Government's Transport and Road Research Laboratory which showed that 66 per cent of all heavy lorries travel only part loaded or empty. "This tendency will be reinforced if permitted weights rise," the council said.

The analysis of lorries and the environment, Heavy lorries, one load too many, has been sent to Mr. Norman Fowler, the Transport Secretary, who is still considering the Armitage recommendations.

The Minister has also been sent a copy of a report by the transport committee of the European Parliament, which rejected the 44 tonnes weight limit proposed by Armitage and the European Commission.

The European Parliament committee wanted lorry weights to be standardised in the EEC at 40 tonnes maximum.

Consett job scheme stalled by BSC

By Maurice Samuelson

A SCHEME to restore some jobs to the former steel town of Consett, Durham is being held up by the British Steel Corporation's failure to reach agreement with an engineering company. This is in spite of a pledge of support from the Prime Minister to Mr. David Watkins, the town's Labour MP.

Mr. "Mac" Murray, head of a Hartlepool's engineering company, wants to use the construction yard of Redpath Dorman Long, the BSC subsidiary, to make tubular sections for the offshore oil industry. He says he could provide 30 to 40 jobs at Consett immediately, rising within a few years to more than 500.

However, his plan has been stalled by the removal of the heavy equipment from the yard which RDL plans to use at a different plant at Stockton. RDL has also failed to replace it by similar equipment, even though Mr. Ian MacGregor, BSC chairman, has urged it to "scour the country" to do so.

RDL is apparently reluctant to assist Mr. Murray because it sees him as a potential competitor for offshore steel fabrication and does not want to see him obtain the heavy rolls—resembling a huge three-section mangle—at a give-away price.

Mr. Murray, and his adviser, Mr. Stanley Bridges, a consulting engineer, are trying to hold BSC to Mr. MacGregor's offer of help, given at a meeting attended by Mr. Watkins. The matter has been raised privately with Mrs. Thatcher by Mr. Watkins who claims that she and the Industry Department are sympathetic to the scheme.

Mr. Murray was seeking an urgent meeting with Mr. David Waterstone, RDL's managing director. If unsuccessful, he will again try to take it up with the BSC chairman.

When Mr. Murray and Mr. Bridges met local representatives of BSC Industry yesterday, they received the impression that the Corporation is now reluctant not only to re-equip the yard but also to let them take it over without such equipment.

Meanwhile, Mr. Murray's MM Oil company, is employing about 30 men from Consett to fit out a Dutch barge at his Hartlepool fabrication yard.

Airline case pending

JUDGMENT was reserved in the High Court yesterday on a test case brought by the British Airports Authority to decide the validity of exemption and indemnity clauses in the "conditions of use" imposed on airlines using its airports.

VC10's last flight

THE SUPER VC-10, one of the most popular aircraft built in Britain, makes its last scheduled flight for British Airways on Sunday, operating a service from East Africa and Cyprus.

Rain delays bridge

BAD WEATHER has again delayed the opening to traffic of the £88m Humber Bridge by at least two weeks, possibly until early May, Mr. Bob Wood, the project director, said yesterday.

It has been the wettest March for years and the bridge builders have lost two weeks' work as a result of rain and gale force winds.

Buxted closes plant

ALMOST 200 workers lost their jobs with closure of the Buxted poultry plant at Clipstone, Mansfield yesterday.

The company said it was forced to close the plant because of the recession and poor trading throughout the group. Buxted is transferring shire.

Northampton jobs

AT LEAST 300 jobs will be created when work starts shortly on an industrial and commercial complex in Northampton.

The Wellingborough-based K. G. Laurence Group, which has bought a 40-acre site in the town, said up to 3,500 jobs could be created when the project is completed.

Office appointment

LOCAL authorities are being "office of the future" experiment to demonstrate the potential of word processing equipment in the public sector. The invitation is being issued by Mr. Michael Marshall, a junior Minister at the Department of Industry.

CBI appointment

MR. RICHARD PRICE has been appointed director of regional affairs at the Confederation of British Industry. He succeeds Mr. Nicholas Tate. Mr. Price, deputy director of regional affairs since 1979, is an economist by training who joined the CBI in 1970 and was head of the industrial trends department from 1973 to 1979.

Thatcher backs inquiry that cleared MI5 head

BY MARGARET VAN HATTEM, LOBBY STAFF

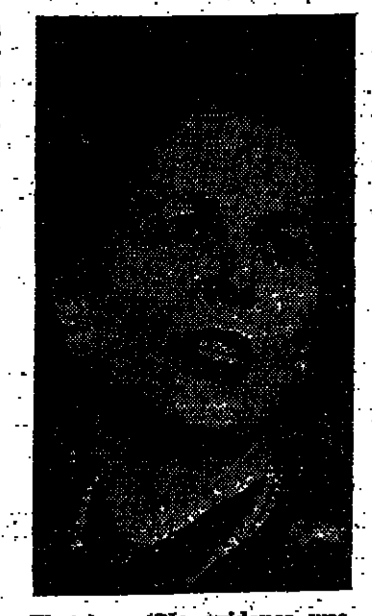
ALTHOUGH it was impossible to prove that the late Sir Roger Hollis, former head of MI5, was not a KGB agent, Lord Trend, the former Cabinet Secretary who conducted a year-long investigation of the case, had concluded that he was not, the Prime Minister told the Commons yesterday.

In a detailed statement to the House, prompted by the publication yesterday of a book, Their Trade is Treachery, by Mr. Chapman Pincher, Mrs. Thatcher attempted to deal with fresh allegations in it of infiltration by the KGB of Britain's intelligence services. The book names Sir Roger Hollis as a suspected KGB agent.

Referring to an earlier investigation of Sir Roger, Mrs. Thatcher said: "It did not conclusively prove his innocence; indeed, it is very often impossible to prove innocence; that is why in our law the burden of proof is placed upon those who seek to establish guilt. But no evidence was found that incriminated him, and the conclusion reached at the end of the investigation was that he had not been an agent of the Russian intelligence service."

Lord Trend was asked to review the case in July, 1974, following challenges to this conclusion and demands that the investigation be re-opened.

"Mr. Pincher's account of Lord Trend's conclusions is wrong," Mrs. Thatcher said. The book asserted that Lord Trend concluded that there was a strong *prima facie* case that MI5 had been deeply penetrated over many years by someone other than Mr. Anthony Blunt—revealed last year as a Soviet agent—and that Sir Rogert was the likeliest suspect.



Thatcher: "No evidence was found that incriminated Sir Roger"

"Lord Trend said neither of those things," she said. "He was satisfied that nothing had been covered up. He agreed that none of the relevant leads identified Sir Roger Hollis as an agent of the Russian intelligence service and that each of them could be explained by references to Philby (Mr. Kim Philby) or Blunt."

Throughout her statement, Mrs. Thatcher *did not* seek to defend Sir Roger, nor did she make any of the references to a distinguished public career which might normally be expected in relation to so senior a civil servant.

Referring to other allegations contained in the book, which implicates so many others including Mr. Tom Driberg, the former MP and Labour Party chairman, and Mr. Charles Howard Ellis — Mrs. Thatcher said: "Some of the material inaccurate or distorted."

She conceded that this left the implication that some of it was true, but added: "I cannot say which allegations are unsubstantiated or untrue, since by doing so I should implicitly be indicating those which were suspected of having a degree of substance."

Mr. Michael Foot, Opposition leader, fully supported the Prime Minister's call for a review of security procedures. "I believe her recommendations are right and I hope they will be adopted," he said.

Mr. Foot criticised certain newspapers which, he said, have presented Mr. Pincher's allegations as proven fact. The Prime Minister had underlined that much of the material in the book was "unsubstantiated, untrue, incorrect, or distorted."

"This has to be taken into account, because individual people can be grossly misjudged and ill-famed by some of these methods," he said.

"People should take account of this question when writing about the dead, as well as the living. Some newspapers present this incorrect or distorted material as proven facts. That, too, leads to grave injustice."

Sir Harold Wilson, the former Labour Prime Minister, made a rare appearance in the House to ask the Prime Minister to confirm that he had initiated Lord Trend's investigation into the case, and that there was no justification for suggestions that there had been a cover-up.

The investigation had been exhaustive, Mrs. Thatcher replied, and there could be no lingering doubts over the conclusions to which Lord Trend had come.

'Natural rate' of unemployment brings criticism and confusion

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE PRIME MINISTER came under fire in the Commons yesterday over a Treasury paper which suggested that the "natural rate" of unemployment might be around 5 per cent.

The concept of the natural rate—the level of unemployment at which inflation might be expected to remain stable—was produced in a paper submitted to the Commons all-party Treasury and Civil Service Committee.

Mr. Michael Foot, leader of the Opposition, called on Mrs. Thatcher to explain the "so-called natural rate," which he thought seemed to imply a permanent pool of unemployment of about 5 per cent.

He called on her to issue immediate instructions to the Treasury forbidding it to present "this kind of nonsense."

The Prime Minister told him the concept did not come from the Treasury but was an academic one.

"I have never agreed with it," she said firmly. "I have never thought it was sound."

But she explained that the Treasury had been asked by the Committee to make certain assumptions and give certain figures. It had merely complied with this request.

She could not tell the Treasury which questions it should answer from the select committee.

During Treasury questions yesterday Sir Geoffrey Howe, Chancellor of the Exchequer, told the House: "The prospects are that inflation will continue to go down and enable interest rates in due course to come down."

This, he said, would create conditions which were the very opposition of the gloomy forecasts being made by the Labour Party.

He told his critics on the Opposition benches that many people had written to congratulate the Government on the Budget, recognising that it would be likely to get inflation down and unemployment under control.

This brought sceptical demands from Labour backbenchers that the Chancellor should name the people who had written the letters.

Mr. Peter Shore, Labour's Shadow Chancellor, again raised the plight of British exporters who had been hit by the high exchange rate.

He said the relationship between interest rates and the exchange rate was of crucial importance and asked: "When are you going to take some action to bring down the appallingly high exchange rate of the pound?"

But the Chancellor told him it was unwise to conclude that there was a direct and simple link between interest rates and the exchange rate. He thought there was a good case for securing reductions in interest rates that were compatible with monetary policies.

Sir Geoffrey again defended the 20p increase in petrol duty despite criticism from both sides of the House. It was, he said, an essential part of the Government's strategy for controlling the public sector borrowing requirement.

Mr. Leon Brittan, chief secretary to the Treasury, made it clear that there was no intention of scrapping the Government's tax and price index. It would continue to be published monthly as it had since its introduction in August 1979.

Mr. William Hamilton (Lab., Fife Central) urged him to come clean with the House and say exactly what the effect of he Budget proposals would be on the index.

He said there had been a massive increase in taxation, particularly on low-income families, and thought the tax and price index was now a more correct reflection of the reduction in the standard of living; than the retail price index.

But Mr. Brittan told him that neither index was a yardstick for pay bargaining. What had to be considered was what could be afforded by the organisation with whom bargaining was taking place.

Mr. Brittan told Mr. Sydney Chapman (Con., Chipping Barnet) that the revenue from direct taxation in 1981/82 was estimated at £46bn and from indirect taxation £54bn.

Mr. Chapman wanted to know if it was Government policy to change the proportion of indirect to direct taxation. Mr. Brittan replied that the proportion of direct taxation was 1.6 percentage points lower than in 1978/79 and this reflected the broad policy of the Government.

BNOC Bill dropped for this session

By Martin Dickson

THE GOVERNMENT yesterday confirmed that its Bill to sell off shares in the state-owned British National Oil Corporation will not be completed this Parliamentary session.

The measure—the Petroleum and Continental Shelf Bill—has already had a first reading.

Mr. Francis Pym, Leader of the House, confirmed that the Bill would not be considered during this session but would be reintroduced in its present form next session "with a high degree of priority."

Mr. Trevor Skeet (C., Bedford), criticised the postponement and said the Government should make up its mind. "We want it early," he said.

Despite Mr. Pym's remarks, it is uncertain whether the Bill will be brought back in its present form. Several alternative ways of restructuring BNOC are apparently under discussion in Whitehall.

One possibility might be a sale of shares in the Corporation's oil exploration and production side, or the selling off of a BNOC subsidiary.

Alternatively, the Government could propose an issue of equity bonds—designed for large investors—linked directly to BNOC's exploration and production subsidiaries.

EEC plan to raise farm prices 'unacceptable'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE LATEST proposals from the Common Market Commission for higher farm prices and a big devaluation of the Green Pound were totally unacceptable to Britain, Mr. Peter Walker, Minister of Agriculture, told the Commons yesterday.

He said the overall increase of 7.8 per cent on average farm prices would mean a rise of only 1.4 per cent in money terms for British farmers over the coming year.

"That would mean a massive further reduction in farm incomes in this country, with all adverse effects on British farm production and the industries connected with it," he said.

Speaking in a debate on Community farm prices, he said the Government was determined to get the best deal it could for British farmers under the Common Agricultural Policy.

Farm prices in Britain had been held down severely, with only a 6 per cent increase last year, and this had meant a reduction in investment.

He thought the Commission's proposals should be looked at on their merits, with the aim of coming up with a sensible measure of restraint in areas where there were agricultural surpluses.

The Government did not agree with a policy of keeping down prices and increasing the co-responsibility levy, which would lead to discrimination against UK dairy producers. The continuation of the doorstep milk delivery was an important priority for both social and employment reasons.

On cereals, he argued that it was wrong to produce too great a surplus, but even worse to allow a shortage to develop. The real problem was to strike the right balance.

The Minister paid tribute to the contribution made by the farming community in Britain in the battle against inflation and rejected suggestions that farmers had been paid too much.

Non-food items in the RPI had increased by 14 per cent in the last year, but food items had only risen by 9 per cent. Wages rose by 19 per cent and farm gate prices by only 6 per cent.

The House was considering a motion supporting the Government's intention to seek a farm price agreement designed to reduce the production of farm surpluses, to contain the cost of the CAP, and to take account of the interests of consumers and food processors.

The Opposition had put down an amendment stressing the need to hold down prices on agricultural products which were in surplus and to submit proposals to reduce the cost of the CAP.

Social Democrats begin by setting themselves twelve tasks

In their policy document issued yesterday, the Social Democrats outlined the following 12 tasks facing the new party.

● **Breaking the mould:** Britain needs a reformed and liberated political system without the pointless conflict, the dogma, the violent lurches of policy and the class antagonisms that the two old parties have fostered.

● **Fair elections:** The present "winner takes all" system of electing MPs is unfair to the voters and opens the door to extremism, whether of Left or Right. We need a sensible system of proportional representation in which every vote really counts.

● **A consistent economic strategy:** To secure Britain's livelihood in the 1990s, we need a consistent economic strategy in the 1980s, one that is *not* disrupted every few years by a political upheaval. The opportunity provided by our temporary oil wealth should not be frittered away, but should be used to invest in new industries and new jobs and to rehabilitate the regions. Such an investment programme in the vital areas of industry, communications, public transport and the environment must be backed up by an incomes policy flexible enough to last and which will reduce the conflict between higher employment and lower inflation.

● **Employment policies:** We are determined to create new jobs and reduce unemployment, by introducing a training programme for school-leavers and a modern apprenticeship system, by encouraging small and medium-sized businesses which provide job opportunities, and by supporting schemes to conserve energy, raw materials and other scarce resources.

● **A mixed economy:** There must be positive support for a mixed economy without constant Conservative sniping at the public sector or repeated Labour threats to private enterprise. Public and private firms should flourish side by side without frequent frontier changes. There should be democracy at work, with profit sharing, co-operatives and local enterprise. We need trade unions representative of their members as a whole, and a responsive management willing to inform and consult with its workforce. Both trade unions and management must be fully aware of their responsibilities to the whole community.

● **A fair distribution of wealth:** We recognise the capacity of market forces to create new wealth, a capacity unmatched by any centrally controlled economy in the world. We must also recognise that market forces, left to themselves, distribute rewards extremely unfairly. So we must strike a balance between rewarding enterprise and effort and distributing its products fairly. The State should lean towards greater equality; but if it intervenes oppressively it will damage individual liberty and diminish the nation's wealth.

● **Decentralisation:** Decisions should more often be made at local level, involving people affected by them. The "men in Whitehall," whether Ministers or civil servants, do not always know best. Every citizen should be able to find out about, and challenge, executive decisions. Parliament must be free from the control of party machines, and should exercise more effective power over Government departments. The Second Chamber needs to be reformed but not abolished. We wish to see a practical and acceptable devolution of power to the nations and regions of Britain.

● **Welfare and the community:** We are pledged to improve the quality of our health services, our housing and the education of our children and to make these and other community services more responsive to people's needs, not least in the inner cities. The welfare state should be less bureaucratic, concerned above all with the wellbeing of individuals.

● **A better environment:** The environment of this densely populated country must be protected and cared for. If we are to ensure a decent environment for our children we must, in each generation, be prepared to pay some economic cost.

● **Equality for women:** Despite recent changes, women are still not treated in our society as equal citizens. Women who work in the home have rights which should be respected and need good family support services. Those who work outside the home should have equal pay and equal opportunity. The spirit of existing laws should be implemented; positive further action is necessary.

● **A society for all:** We live in a multi-racial society, but we have signally failed to offer equal opportunities to all its members. There should be no discrimination on grounds of race, colour or religion, or against any minority group. All our people should have equal rights, including the fundamental rights of citizenship.

● **International co-operation:** Britain should co-operate in the world and not retreat into sour isolation. We need our friends in a dangerous world, which means playing our full part in the European Community and in Nato, vigorously pursuing multilateral but not unilateral disarmament. We will not insulate ourselves from the hunger and poverty of the Third World. Without imaginative generosity, which marches alongside far-sighted self-interest, we shall not only frustrate the hopes of the developing world, but undermine our own long-term prosperity.

The task for Social Democrats is to make Britain successful and tolerant at home, self-confident and far-sighted abroad.

Mr. William Rodgers, Mrs. Shirley Williams, Dr. David Owen and Mr. Roy Jenkins at the launching of the Social Democrat Party

The middle of the road seems crowded in London, but steep and lonely in Cardiff

BY MAX WILKINSON

THERE WAS no ice yesterday to go with Mr. Roy Jenkins's pre-breakfast gin and vermouth, and only white wine with his bacon and egg, which was annoying because he hadn't wanted breakfast anyway.

By 12.05 he felt, like any politician who had just launched "the biggest break in the pattern of British politics for 60 years," that he was entitled to a spot of lunch.

But as Mr. Jenkins had earlier proclaimed to a packed hall in London, the public sector cannot always deliver what the people want of it, and as if to support his thesis, it failed—in the form of British Rail—to deliver lunch to him, doubtless because of insufficient investment by the Tory Government.

"Ah well," he observed with the greatest good humour, "they say breakfast is the best thing to have on BR."

It is, however, fair and possibly relevant to ask what will Mr. Jenkins and the new Social Democratic Party do about BR?

It is early days of course, and one could not expect a party only 185 minutes old to go into detail.

However, under the glittering chandeliers of the Connaught Rooms in London, Mr. Jenkins was sonorous and persuasive on the need for more investment in nationalised industries like BR.

There on the dais, with four gaudy SDP banners hung behind him from the colonnades, Mr. Jenkins showed all the skill of a political performer with 29 years as an MP behind him.

Yet his performance in the Connaught Rooms was most successful not as a solo but as carefully scored part of a quartet, for which he provided the deeper and more thoughtful tones, especially on economic themes.

But in Cardiff, away from the counterpoint of Mr. Williams — in particular the throaty fervour and sincerity of Mrs. Williams — he seemed though still a virtuosos, somewhat diminished.

Maybe this was the effect of the empty street outside the Angel Hotel, where Mr. Jenkins was greeted by two bemused-looking policemen and a handful of local journalists.

Was this quiet provincial reception, could it possibly be, the first stirring of a flood-tide which would overwhelm the political landscape and sweep SDP into power?

What seemed an hour or two earlier in London possible, and even in a few crescendos of oratory inevitable, suddenly appeared much more remote,

No, Mr. Jenkins told a half-full conference room, the SDP would not do anything to injure the Welsh language, though he could not promise anything specific to improve it.

Devolution? Well, he'd been discussing that with David Owen only last night, and they didn't want to repeat the previous efforts, which were rather a botched job —more general decentralisation throughout the UK was the answer.

Mr. Jenkins was as usual impressive. Everyone was very polite. But away from the glamour of the capital the road stretching out before the SDP suddenly looked much longer and steeper.

There is inevitably a huge gap between the oiled publicity campaign which Dewe Rogerson have been organising and the embryo party of scattered people which actually exists in the land. In Cardiff, for example, the "party faithful" consists of about 30 people

For Mrs. Rosemary De Ivey, town clerk of Bridgend and a former Tory councillor, it was in a sense a great occasion. She had written to Mr. Jenkins in Brussels 16 months ago, immediately after the famous Dimbleby lecture when hhe first floated the idea of a new centre party.

Since then she has kept in touch with him by mail and telephone, so that local and national plans could march more or less in step.

Mrs. De Ivey has been joined by another Tory defector , the Mayor of Bridgend, in the Cardiff SDP group.

Before then, however, huge efforts will be needed to set up a local organisation, pull in subscriptions and choose candidates.

So it seemed a pity in a way that Mrs. De Ivey did not have a chance of a few words personally with Mr. Jenkins. But he disappeared rapidly upstairs before being taken in a grey Daimler to the airport en route for a similar occasion in Manchester.

"It doesn't matter at all," said Mrs. De Ivey. "It is not necessary for me to talk to him, and there are so many people all over the country . . ."

New party will win no support from the unions, says Basnett

MR. DAVID BASNETT, chairman of the TUC economic committee, said in Glasgow yesterday that he saw no possibility of support for the Social Democrats from the trade union movement.

He said the unions would only work within a broad-based party in which there could be debate and unity.

Asked how long he gave the life of the new party, Mr. Basnett paused and said: "I would give them until the next general election."

Mr. Basnett, general secretary of the General and Municipal Workers' Union, said: "Trade unionists want a party whose policies are very clear, one which has a real grasp of the economic problems. Trade unionists will want to know what their attitude will be to the trade unions themselves and on this they have been strangely quiet.

"The trade unions have acted, and will continue to act, to ensure the unity of the Labour Party and the trade union movement, so that they will work together and be able to agree on an economic programme for the next election."

● The Institute of Directors said: "British businessmen and, indeed, the general public, will be amazed that a Social Democratic Party has been launched, not only without a leader, but more importantly, without any definite policies.

"The Social Democrats appear to have a public relations campaign but absolutely no product to promote."

Mr. Walter Goldsmith, the Institute's director general, said: "British businessmen are primarily concerned with the policies of political parties and not the party label.

"The Social Democratic Party is perpetrating a political con trick hidden behind a flurry of American-styled razamatazz."

He said the new party had to answer a number of important policy questions.

"Until they do so any businessman supporting the Social Democrats will be voting for self-destruction."

● The North-West Regional Council of the Labour Party issued a challenge to two local former MPs who had joined the Social Democrats — Mr. John Roper (Farnworth) and Mr. Dick Crawshaw (Liverpool Toxteth).

"With the announcement today of the formation of their new political party, there will be no excuse left for Mr. Roper and Mr. Crawshaw to hang on to their Labour Parliamentary seats," the council said in a statement.

"We challenge both of them to do the politically decent thing and resign immediately and put their new party philosophy to the electoral test.

"If John Roper and Dick Crawshaw fail to respond to this challenge, the people in the North-West will identify the new party as of no political consequence and to hang on to their Parliamentary seats will be interpreted as an act of political cowardice."

Under fire from Left and Right

THE SOCIAL Democratic Party, showing its flag with lapel badges for the first time in the Commons, came under fire from the Prime Minister and the Opposition leader in noisy exchanges yesterday.

First blood went to the Prime Minister after Tory Right-winger Mr. Tony Marlow (Northampton N), jeered at what he described as the "three parties of the Left" now ranged in opposition.

Mrs. Thatcher said: "It seems to me there may be three parties, but they are all divisions of socialism."

The gauntlet was promptly snatched up by Mr. Michael Foot, Labour leader, who commented: "If you think the so-called Social Democratic Party has much to do with socialism you must be the only person in the kingdom."

Mr. Mike Thomas, sporting a Social Democrat lapel sticker, countered the attack amid the uproar.

Mr. Thomas (Newcastle-upon-Tyne East) excused himself for intruding on "this private quarrel," and suggested: "Might the lady not ponder on the fact that the emergence of the Social Democratic Party has less to do with her theories of monetarism, or Mr. Foot's theories of socialism, than with the future of the country?"

Mrs. Thatcher dismissed the charge by seizing on comments made by a leading light of the new party, Mrs. Shirley Williams, in a radio interview.

The comments amounted to Mrs. Williams saying that the new party had "no roots, no principles, no philosophy, and no values," Mrs. Thatcher said.

Cadbury suggests industry backing to help avert political extremism

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

COMPANIES should consider giving financial support to either the Social Democrats or the Campaign for Electoral Reform to break the present polarisation of industrial and economic policies, Sir Adrian Cadbury, chairman of Cadbury Schweppes, said yesterday.

"Industry ought to look seriously at what can be done to ease the situation," Sir Adrian said. "My own company board will give consideration to it at some time.

"The present political situation is doing great harm to industry. Look at Labour's threat to renationalise all of British Telecom. What chance is there of the telecommunications industry raising sufficient private sector capital for its investment programme with threats like that?"

Sir Adrian's remarks illustrate the considerable interest among company chairmen in the Social Democrats' potential for averting the swings in Government policy between the Left of the Labour Party and the Right of the Conservative Party.

But Sir Adrian added that he believed more companies might be prepared to back the Campaign for Electoral Reform, as many do already, rather than the Social Democrats.

Cadbury Schweppes is a traditional supporter of the Conservative Party—it subscribed £15,000 last year—although its Cadbury arm has helped the Liberal Party in the past.

Several big companies, including other Conservative backers are likely to follow Cadbury Schweppes's lead and consider helping the Social Democrats during the next few months. A surprising number of chairmen believe that help ought to be provided once the new party produces firm policies for industry and a credible leader.

But at the same time, many of the chairmen accept, as Sir Adrian does, that their boards might not agree when faced with having to make the decision. Some chairmen might suggest that traditional support for the Conservatives ought to be maintained and that extra funds should be voted for the Social Democrats to help them get off the ground.

The question of whether such aid should continue indefinitely could be looked at later.

The Social Democrats have not yet formally approached industrialists for funds, and they may shy away from doing so, sticking instead to their stated preference for donations from individuals. But the question of providing financial support has been discussed informally among senior figures in the world of industry and finance.

Many companies are cutting back on external funding as part of the economies they are introducing during the recession. Expenditure on funds for political or quasi-political organisations is being scrutinised, with the result that receipts from industry for both the Conservative Party and the Confederation of British Industry will be down this year.

Court case pickets 'disappear'

BY CHRISTIAN TYLER, LABOUR EDITOR

ATTEMPTS to serve court injunctions on eight secondary pickets have failed so far because the men have "disappeared," according to the company that secured the injunctions.

Meanwhile the picket line which they have been supporting was still in operation yesterday outside the small West Midlands company of Wilkes (PCA) Data Supplies, in Oldbury.

Agents of the company tried yesterday to serve the injunctions, which were granted by Birmingham High Court on Tuesday.

According to the company the men were neither on the picket line nor at their homes.

Mr. John Matthews, managing director of Wilkes Business Forms, the sister firm which actually employs the men, said yesterday: "It's an organised disappearance, I am certain of that."

The men are involved in the first reported case of court action against secondary pickets under the new Employment Act 1980.

Until the injunctions are served the company could have difficulty enforcing the court's order against secondary picketing, which covers—without naming them—the eight men's "associates." The company could ask to be excused from serving the injunctions personally, but has been advised that courts are reluctant to concede that.

Meanwhile print unions, including the National Graphical Association to which the eight belong, met in London yesterday to review the situation. They said they would meet again shortly.

About 80 Wilkes Business Forms employees have been sacked after going on strike in protest over 107 redundancies. The eight pickets named in court were: Mr. Paul Ledwidge, Mr. Geoffrey Lambeth, Mr. Derek Owen, Mr. Ronald Parker, Mr. Roger Layton, Mr. Brian Kelly, Mr. Alan Bunn and Mr. John Smith.

Customs staff suspended

BY PHILIP BASSETT, LABOUR STAFF

CUSTOMS and Excise yesterday acted to avert the effects of the Civil Service strikes over pay by giving notice of suspension without pay to 29 staff, and by bringing in emergency import arrangements against the East Coast ports blockade.

The department told 29 clerical and executive staff in eight locations that if they continued to refuse to work normally after 2 pm today they would be suspended without pay.

The staff have been refusing to handle work on deferred Customs duty which would normally be done at the strike-bound Customs computer centre at Southend.

Letters handed to the staff yesterday said that refusal to comply "will be regarded by the Department as amounting to a serious and material breach of the terms and conditions of service." The Council of Civil Service Unions immediately urged its local committee to organise protest action for today.

The department also acted on the East Coast Customs blockade, issuing a note signed by Mr. W. K. Herbert, a Customs collector, authorising imported goods to b ereleased from affected ports within 24 hours, without the full documentation usually necessary but which is being stopped by the action.

For goods coming in under tariff quotas, the note states that full security payment should be made on entry, with the correct rate being determined after the action is over.

A Treasury spokesman acknowledged that figures obtained by the Civil Service unions, showing revenue delayed by the action of more than £600m, were "in the right area."

Mass-action threat on jobless

BY OUR LABOUR EDITOR

WORKERS IN Britain's biggest union are demanding mass industrial action, and even a general strike, in protest at the Government's economic policies.

Some branches of the 1.9m-member Transport and General Workers' Union say that the TUC and their own union should be working for the downfall of the Government and an early general election.

These demands for political strikes are included in the most militant agenda for many years published by the TGWU yesterday for its biennial delegate conference in Brighton at the end of June.

The TUC is already conducting a propaganda campaign against the Government, and 10 days of demonstrations are to begin on Saturday week, followed by an unemployment march from Liverpool to London on May 1.

But the weight of feeling among union activists in the TGWU and at other union policy conferences this summer suggests that the TUC Congress in September will be under pressure to step up the campaign and use the strike weapon in retaliation for job losses.

The nearest the TUC came to organising mass protest was the voluntary Day of Action on May 14 last year. The turnout was less than expected and the event is now regarded by the TUC as having been premature.

The TGWU's free collective bargaining policy is again supported by 15 out of the 17 branches with motions on this subject for debate. This suggests it could be difficult for the union to support any joint TUC-Labour Party framework for incomes planning before the next election.

A number of branches have submitted motions on internal democracy, demanding more consultation or branch ballots before the union casts its block vote at Labour Party or TUC conferences.

Some want the block vote scrapped entirely and others want ballots to be used in the electoral college system now adopted by the Labour Party for future elections of its leader. There is no move, however, to change the controversial electoral college formula, decided at Wembley in January, giving unions 40 per cent of the college.

Barclays computer centres disrupted

By Nick Garnett, Labour Staff

BARCLAYS BANK'S computer centres at Gloucester and Wythenshawe, Cheshire were hit yesterday afternoon by a 24-hour strike by members of the Banking, Insurance and Finance Union. They are seeking a 12 to 13 per cent pay rise.

The union said almost all members, including key computer operators, joined the strike. Security truck drivers agreed not to cross picket lines.

Barclays said last night that it was processing some work through the computers but the effects of the stoppage would not be clear until today.

BIFU has decided not to attend a scheduled meeting next week with the clearing banks. The Federation of London Clearing Bank Employers, which has offered 10 per cent, indicated that it was not prepared to discuss pay claims from BIFU and the Clearing Bank Union at that meeting.

BIFU is balloting its members on industrial action in several areas, including Midland and National Westminster branches in Liverpool, all London West End branches, Midland cash centres and members in a number of other provincial areas.

There have been indications that in some areas support for industrial action will not be overwhelming. The banks are vulnerable in certain key areas, such as cash centres. BIFU messengers are also being balloted.

Arbitrators have decided to award staff in grades 5 to 15 at Williams and Glyn's an extra half day's Christmas holiday in addition to the one day holiday agreed nationally between the CBU and the clearers. The arbitration decision followed a BIFU claim.

Perkins strike

ABOUT 1,000 nightshift workers were laid off at the Perkins diesel engine plant in Peterborough last night because of a strike by electricians. They have walked out because of an inter-union dispute over pay bargaining and power supplies have been cut.

Shipbuilding typifies tough wage bargaining, **Pauline Clark** reports

Pay talks ply through rough waters

IF AN industrial relations student were asked in an examination paper to list factors most likely to cause problems in a wage bargaining session and to consider the outcome if they all came together at once, he could take his cue from the current pay talks at British Shipbuilders.

He might do worse, for instance, than take a big loss-making nationalised industry and add the following:

- A serious recession in an industry undergoing a job cutting programme and dependent on Government aid.
- An industry relatively new to national industry-wide bargaining.
- A trade union side consisting of 17 unions, some representing multiple trade sections within their organisations, and
- Two leading negotiators with a penchant for speaking their minds, meeting for the first time at the negotiating table.

So far this month the proceedings of two long wage negotiating sessions covering 70,000 shipyard workers have underlined the difficulty of bargaining in the corporation this year.

During the marathon two-day talks in Newcastle at the beginning of the week, union negotiators in the Confederation of Shipbuilding and Engineering Unions came near to walking out at one point when an improved pay offer was temporarily withdrawn after Mr. Robert Atkinson, British Shipbuilders chairman, intervened.

The atmosphere had already been soured by plain speaking from both sides in a previous session on March 3, after a union claim which the corporation said meant a 27 per cent increase on the wage bill.

Mr. Atkinson had told the union side of his "profound astonishment" at receiving a claim worth £114m a year, two-thirds of the corporation's cash limits and four times the allowed loss permitted next year.

"I do not recall ever seeing anything quite so unrealistic as your claim," he said. "You seem to have totally failed to understand or believe the serious position of this industry and the constraints upon us by virtue of the cash limits and world-wide competition for orders with which we have to live—and 'we' means the whole corporation."

Stung, Mr. James Murray, chairman of the CSEU side and general secretary of the Boilermakers' Society, responded in kind: "Your manner of reply has not enhanced you in our eyes. In fact it reminded us of a schoolteacher addressing a classroom of unruly boys."

Such was the exchange between two men who might both have been feeling the strain of facing each other for the first time in a big national pay bargaining session.

But the two are not alone in feeling new to these negotiations. Before nationalisation in 1977, the industry had 168 separate bargaining units, which first came together to reach an industry-wide national agreement only in 1978-79.

But the war of words that has marked the recent meetings reflects much deeper problems faced by both sides.

For the employers, the problems arising from the recession in shipbuilding and the need for rapid restructuring to secure its viability while losses run at £100m a year, are paramount. Even a single-figure pay settlement (which they are determined to achieve), they say, is more than the industry can afford.

Despite this, however, and although they have raised their 5 per cent pay offer to 6.8 per cent, to improve basic rates of skilled manual workers by £6.50 a week and those for the unskilled by £4.80 a week, no deal has been reached.

The offer to the manual workers compares nicely with the 6.8 per cent settlement at BL Cars, but not so well with the engineering industry's national 8.2 per cent agreement, to which shipyard workers traditionally compare their own deal. No doubt the CSEU will be asking for more money when negotiations resume.

But a more complicated issue is raised by the employers' emphasis on the need fro productivity and rationalisation.

British Shipbuilders insists that any pay increase must be paid for by a closely-monitored productivity scheme with radically improved working practices and job flexibility.

Of the 17 CSEU members, it is unfortunately the main union in the industry—the boilermakers'—which faces probably the greatest trouble in reconciling this demand with the historical trade divisions to which its members proudly adhere.

British Shipbuilders says many of the old demarcation problems in the industry have been resolved.

But there is still room, it says, for more flexibility in manning machines, for instance, and in the jobs apprentices can do—the rules and practices often varying from yard to yard.

On jobs, the unions said they have had enough after the loss of a sixth of the jobs which existed in the industry before nationalisation, and their co-operation in shedding a further 2,600 jobs. They argue that if their members are to be persuaded to be more flexible and improve their working practices, they must be sure it will not cost them their jobs.

The employers recognised this in raising the pay offer to 6.8 per cent. "We are in total agreement that job security is both highly desirable and the surest way to obtain productivity improvements. We understand your viewpoint that we cannot expect men to maximise their efforts if by doing so they are minimising their job continuity," they said.

The union have discussed the possibility of demanding at least a temporary moratorium on job cuts, but they are divided even on this.

Both sides will be wrestling with the problem when they meet on Monday. But for the employers the only answer may be an increase in the order-books

Miners' strikes boost days lost

BY PHILIP BASSETT, LABOUR STAFF

STRIKES BY miners over threatened accelerated pit closures helped to more than double the number of working days lost in February through stoppages and to give the highest monthly total since May last year.

The miners' strikes pushed the total of days lost in February through stoppages to 453,000, compared with 221,000 lost in January, according to provisional figures published yesterday by the Department of Employment.

The final figure for January, too, showed an increase on the provisional figure given by the Department last month of 213,000 days lost.

The February total was very nearly the same as the figure for May last year, when 457,000 days were lost. The Department noted that the figure for last month was "much higher" than the monthly average of about 15,000 over the last six months of 1980.

The total for January and February together of 674,000 days lost was still much lower than the same period of last year, when 6.02m days were lost during the steel strike.

The miners' strikes caused the loss of more than 150,000 days, or nearly one-third of the total days lost.

The final period of the seamen's strikes over pay also contributed to the increase. The Department said that strikes in a motor company, a chemical plant and a brewery accounted for almost a further third of the total.

Setting aside the miners' strikes, the total of days lost was still higher than any figure for the past seven months. Taken with January's figures it showed an increase in the level of strike activity.

The number of stoppages recorded by the Department—a less reliable indicator of strike activity—fell in February to 75, compared with 117 the previous month. The number of workers involved rose from 70,000 to 81,000.

Journalist wins appeal against unfair sacking

JOURALIST Garry "Gus" Brain, sacked from his job as publications officer for the Union of Construction, Allied Trades and Technicians because he refused to sign an undertaking settling a libel action aginst the union, was fully entitled to unfair dismissal compensaiton three Appeal Court judges in London ruled yesterday.

Lord Justice Lawton, presiding, said the union acted most unreasonably in ordering Mr. Brain to sign the undertaking.

Unions "should grasp that if a libel writ is issued in such cases they are not to behave as they have done in the present action," he said.

FINANCIAL TIMES SURVEY
Friday March 27 1981

Danish Technology and Industry

Although Danish industry has long enjoyed a reputation for inventiveness and high productivity, there are growing fears that current tax pressures plus the problems of rising unemployment and investment stagnation could rob the country of technological opportunities, particularly in the area of electronics.

Pressure felt in many sectors

By William Dullforce
Nordic Correspondent

HAMLET may have been a "gloomy Dane," but Shakespeare's Prince is not a portrait of a typical Dane, nor is gloom a Danish characteristic. Danes are by nature optimistic and enterprising.

It is all the more suprising, therefore, to hear so many Hamlet-like utterances these days in Copenhagen. The world does currently seem to be "weary, stale, flat and unprofitable"—particularly the last—to many Danes.

That fantastic living standard which the Danes built for themselves in the 1950s and 1960s is threatened. The heating has been switched off in some rooms of those comfortable homes this winter.

Last year the Danes cut their car mileages by about 20 per cent. They stayed at home, instead of taking holidays abroad, and thus put the charter travel companies into the red.

On top of all its other worries about the state of the economy, the Social Democrat minority Cabinet of Prime Minister Anker Joergensen has now become alarmed about the falling birth rate. But Mr. Joergensen must take at least some of the responsibility for the prevailing dejection.

His Government's policies helped to bring about the 3 per cent fall in Danes' private consumption last year and the slump in investments which is forecast to continue right through this year. Unemployment rose again in 1980 and could reach as high as 9 per cent of the labour force this year.

The tax pressures exercised by the Government are a major factor in these developments. The "economic package" enacted in December, 1979, raised both private and corporate taxation. It was followed last year by an increase in value added tax and higher duties on energy consumption.

This year, tax reductions for manufacturing and farming are intended to stimulate output and employment and the lifting of the partial price freeze will, it is hoped, allow businesses to compensate for increased costs. But personal taxation will move up another notch or two, and private consumption is set for a further, if smaller decline.

Mr. Joergensen's Government has a purpose, of course, in inflicting these trials and discomforts on its citizens. It is alive to the danger that if it does not stop the downward plunge in its external accounts and bring the foreign debt under control, some international monetary institutions may feel compelled to intervene before long.

Oil prices

The current account deficit has been an intractable problem right through the 1970s, seriously aggravated by oil price increases. An 85 per cent increase in the oil import prices in 1979 helped to enlarge the deficit that year to DKr 15.3bn (about $2.9bn at the prevailing exchange rate) or 4.4 per cent of gross domestic product.

At the beginning of 1980 the accumulated foreign debt was about DKr 80bn and interest payments accounted for an increasingly growing share of the current deficit. Several influential economists, including Mr. Erik Hoffmeyer, the Governor of the National Bank, had already started to warn of an approaching economic armageddon.

Against this background, Government policy has achieved some success. The current deficit was cut to DKr 13.8bn according to provisional estimates from the National Bank. Adjusted for statistical changes in the Customs' recording methods, the deficit came out at DKr 14.6bn or 3.9 per cent of GDP.

From industry's point of view, however, the most significant change was the realisation by the Social Democrat leaders that the external deficit could not be handled solely by curbing domestic demand but had to be supplemented by an "active business policy" to stimulate exports.

Danish industry has been calling for such an approach since the mid-1970s when high energy prices and interest rates began to take the stuffing out of profits and the number of jobs started to decline. At the end of 1979, some 14.5 per cent of the total Danish labour force was employed in manufacturing, compared with around 20 per cent of the Swedish and Norwegian labour forces and even more of the Finnish.

Denmark, of course, has a big farming sector contributing strongly to exports, but it is industry that has to provide the bulk of the growth in output needed to correct the imbalances in the economy. The question is whether the Government's new business policy is effective.

In its financial survey last October, the Government set the target of a two to three per cent annual improvement in the competitiveness of Danish industry over the period to the end of 1984. This would call for an annual reduction of one to two per cent in real disposable incomes and a gradual move to zero growth in public spending.

Without stating it explicitly, the Finance Ministry appeared to assume that the krone would continue to depreciate. Wage restraint was a vital element in the programme outlined.

The pay settlements, reached between the employers and unions this year, will raise wage levels by 7-8 per cent and will probably not prevent another small relative bettering of competitiveness. Two devaluations in the autumn of 1979 cut the effective exchange rate by five per cent. From the beginning of 1980 the rate has declined further by roughly 9 per cent.

Foreign markets

The Federation of Industries calculates that, set against hourly wage costs on the 11 most important foreign markets, Danish competitiveness improved by about 8 per cent last year and brought about a two per cent increase in market shares. Another, though smaller, increase in competitiveness is forecast this year, with a further gain in market shares.

The constraint on domestic demand, however, led to a 9 per cent fall in industry's home sales between the second halves of 1979 and 1980 and a 6 per cent decline in total output. The federation forecasts zero growth in 1981.

The success of the Government's industrial policy hangs in the balance. The wage settlements are not excessive. The inflation rate is down to one digit and the current account deficit stopped growing in 1980, although opinions differ somewhat about its development this year.

Nevertheless, the prevaiilng atmosphere within Danish business is one of gloom—"Denmark is still hibernating," explains one perceptive economist. It could be fatal if the sense of enterprise is dulled by expectation of a transformation, when North Sea gas comes on stream after 1984. (Denmark's own oil and gas will, it is hoped, start providing about a third of its energy requirements later this decade.)

Privatbanken's chief economist more dramatically predicts economic suicide, as long as the Government pursues the line that the burden of stabilisation must be equally shared and business profits must be as heavily restrained as wages. Here lies the rub.

The Federation of Industries calculates that business investment fell by more than 10 per cent in 1980 and forecasts a further 6 per cent drop this year. It sees a clear correlation between profit and investment trends since 1973. The high interest rate is another deterrent.

In January, the federation presented a seven-year plan which it claimed could reduce unemployment to 2 per cent by creating 150,000 new jobs and eliminate the current account deficit by 1987. It called for big corporate tax concessions, incentives to invest in company shares and a rational energy policy.

Some businessmen and economists fear that the present stagnation in investment and the general lack of optimism is detrimental to the maintenance of Danish industry's technological competence. With hardly any domestic raw materials of their own, the Danes have been forced to rely on their inventiveness.

Moreover, the "niche" theory, under which their relatively small businesses win commanding shares of small market segments depends on keeping technically ahead of the opposition. This, in turn, involves taking the risk of rapid product development and change.

A high level of productivity has been one of the saving virtues of Danish industry in the past. It has fairly consistently achieved slightly better annual improvements in productivity that its competitors, but this trend appears to have been reversed over the last two years.

Impact blunted

The fear is that industry may be missing out on the new technological opportunities, in particular on the revolution in electronics which Denmark should, in theory, be well placed to exploit.

For some years, official industrial policy has aimed at stimulating product development and spreading information for skilled workers and is backed up with development finance for industry.

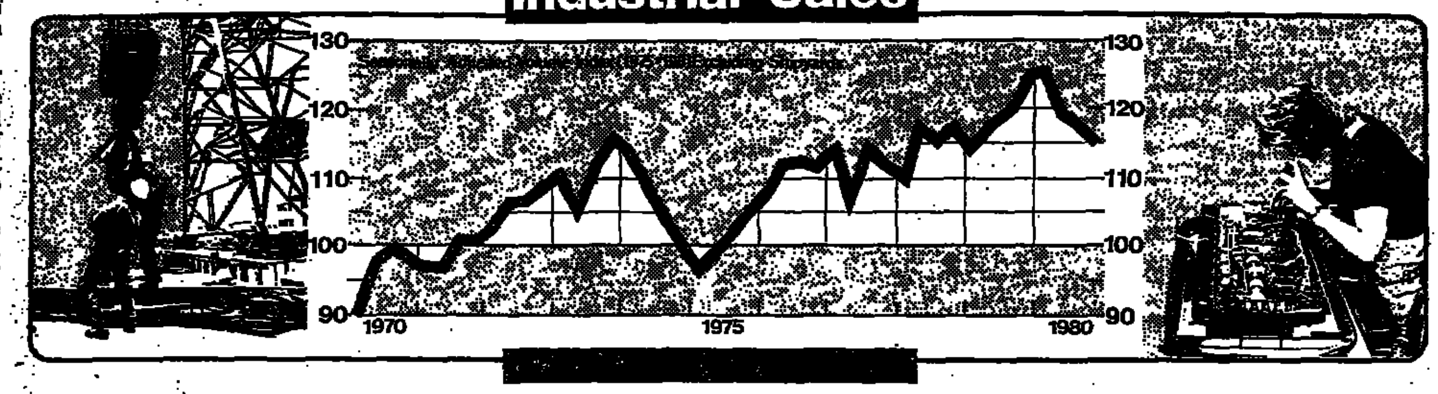
But the impact of these programmes has been blunted by the dearth of the will to invest and perhaps by a growing social malaise which induces people to concentrate on tax evasion and ways of winning benefits from the system, rather than on producing.

Business discerns a new threat to technological advance. In return for wage restraint and acceptance of a decline in real incomes the trade unions had included in the latest pay settlements a so-called technology agreement which gives them greater control over the introduction of new techniques.

Recently, too, a study group within the Social Democrat Party has produced a document on "technological assessment." Its approach is sophisticated enough to eschew the claim that technological advance creates unemployment, but in the examples it cites, mostly from abroad, of the other effects of technological innovation and in its suggestions for controls, it is regarded by business as highly negative.

On the technological issue the debate is engaged. Given the Danish tradition in favour of innovation, the final outcome may not be so negative. Danish businessmen, for instance, readily attribute part of the credit for past technological successes to the enlightened attitude of the Metalworkers' Union. But no Dane can afford to deny the importance for his country of taking full advantage of technological advances.

Industrial Sales



The figures on the horizontal axis indicate the annual volume changes in percentages. Source: The Federation of Danish Industries

CONTENTS

Urgent need for more investment

ELECTRONICS AND NEW TECHNOLOGY

WILLIAM DULLFORCE

ELECTRONICS has been one of the fastest growing branches of Danish industry. It is strongly export-oriented, many of its products have high added value and diversification makes it rather less vulnerable than most other branches to market fluctuations.

The electronics industry may also have a crucial part to play in the future development and performance of Danish industry as a whole, even though so far it has been regarded mainly as a source of export income.

Its strength has not been in basic research but in the application of new electronic techniques for specific uses. A high-cost country such as Denmark needs many more such applications—in the form of control systems, energy-saving devices—to keep its manufacturers competitive.

Solutions have to be found, probably through the development of so-called "smart" machines and the incorporation of the sensing, memorising and logical functions of electronic equipment, to improve the productivity and effectiveness of farm, food-processing and engineering equipment. There is also great scope for using electronics to raise the efficiency of public services.

Potential

This role would seem to be a "natural" one for the Danish electronics industry, which consists of many small, diversified concerns which can find a niche in the market too small to attract a large company, and so carve out a large share for itself.

However, the possibilities are more easily described than realised. Danish electronics is not immune to a current faltering in the spirit of entrepreneurship in the country. The financial constraints could prove to be obstacles and several leading men in the business argue that future growth will come essentially from the few top companies.

The annual growth of Danish electronics between 1965 and 1976 average more than 13 per cent. There was a slump to 4.7 per cent in 1977, a recovery to 13 per cent in 1978, followed by growth rates of between 10 and 10.5 per cent in the past two years.

Export performance has been remarkable, sales abroad rising from DKr 513m in 1965 to DKr 4.25bn ($640m) last year. This last figure was equivalent to 85 per cent of total output.

Imports are substantially larger than exports but this is because the Danish companies are specialised and do not compete against the cheap radios, television sets and electronic calculators which make up the bulk of the consumer market and are the domain of the big international producers.

The Danish industry is particularly strong in the professional electronics category, from which about 60 per cent of its exports come. Within that classification, again, measuring and control instruments account for over 40 per cent of production and almost half the exports.

Two prominent companies in this field are Brüel og Kjaer, which specialises in a wide range of acoustic and sound-measuring equipment, and Radiometer, a manufacturer of medical analysis instruments. Both export about 95 per cent of their output.

Neither is a big company. Brüel og Kjaer reported sales of DKr 378m in 1979 while Radiometer's turnover last year was just under DKr 300m. Both are among the world leaders in their fields. So is Disa Elektronik, whose equipment measures gas and liquid flows in scientific laboratories and industrial processes as well as muscle activity in the human body.

Altogether there are well over 200 companies in Denmark which may be classified as primarily electronic and they employ between 25,000 and 30,000 people. Bang and Olufsen, the manufacturer of high-quality radios, television and record players of advanced design, is the biggest with group sales of DKr 860m in 1979-80.

However, statistics available from the Association of Electronic Manufacturers show that the main growth of the industry since 1960 has come from 14 companies, of which 10 manufacture professional equipment. This has reinforced the argument that future growth, too, must be expected from the well-established concerns.

Analysis reveals a further significant factor: of the eight largest companies six are partially owned by foreign companies; some indeed such as Standard Electric Kirk and Storno, the radio communication equipment specialist, being wholly-owned subsidiaries.

These companies have the financial backing of their much larger parents as well as access to their research and development facilities. Their growth prospects may be conditioned by corporate decisions but also may be less financially constrained than those of the Danish-owned companies.

For the past few years Danish companies have had to contend with high interest, wage and inflation levels and until recently with an overvalued Krone. At first glance they may seem to be well able to cope. For instance, one manufacturer calculated that of the end-user price for his products, roughly 20 per cent went to imported components and raw materials and 30 per cent to labour costs and domestic raw materials. But his 50 per cent mark-up had to finance heavy development and marketing costs.

Performance

Few Danish electronic companies are listed on the stock exchange, so that it is difficult to assess the financial performance of the industry as a whole. A successful manufacturer reported returns of 6 per cent of turnover pre-tax and 3 per cent after tax for 1979, but the average for the industry must be considerably lower.

Company executives indicated concern about low capital turnovers, declining equity ratios and export credit financing. These complaints are common to West European industry and may reflect the uneasiness affecting Danish business as a whole at present rather than the realities of their balance sheets. Nevertheless, the impression remains that their financial situation may well inhibit the growth potential of the product development work being done by Danish electronics companies.

Spending on the development of new products is much heavier than that on basic research, averaging between 5 and 10 per cent against less than 1 per cent of sales. This fits in with the picture of an industry which is attuned to the application of basic electronic technology for the needs of special customers.

Similarly, the introduction of new products is fairly fast. One recent study indicated that close to three-quarters of the companies' product ranges had been introduced over the previous five years. The ability to adapt and improve equipment rapidly appears to be a hallmark of Danish electronics.

Marketing skills are less evident. In the past, at least, companies have tended to be product orientated and led by engineers, but younger executives obviously attach more importance to customer contact and service.

One advantage enjoyed by the industry is the presence in Denmark of privately-owned telephone companies with forward-looking managements. Denmark may well have the world's best telephone network as a result of the close co-operation between the utilities and manufacturing companies.

Standard Electric Kirk, an ITT subsidiary, has just claimed the world première for a digital telephone, which translates the human voice into number signals, sends them via a telephone line and a digital exchange to another subscriber set, where they are translated back into speech.

The company has 50 subscribers connected in Hersen, its headquarters town. It believes its new telephone set could be the basis for an intelligent terminal for home use. Standard's Mr. K. Jacobsen attributes his company's lead in advanced electronic sub-sets (telephones) to its work with the Jutland Telephone company, which was the first to introduce a fully automated telephone exchange in the early 1960s.

Typical of the smaller, specialised Danish enterprises exporting know-how is Danfysik, whose 45 employees—15 of them engineers and physicists—operate from farm buildings in the village of Jyllinge. Denmark has no nuclear industry but over the past 15 years Danfysik has become highly respected in the field of nuclear physics.

Its speciality is ion implantation and isotope separation systems for research laboratories. The technology combines microprocessors, high-current power supplies, the mechanical design of large magnets, vacuum chambers and beam-line instrumentation.

An annual turnover of DKr 25m is made totally from exports. Danfysik is now acting as consultant to JET, the EEC fusion energy project.

Storno, a wholly owned subsidiary of General Electric of the U.S. since January, has its niche in another communications field, land mobile radios. Its turnover has climbed from DKr 290m in 1975 to almost DKr 700m last year; it sells about 85 per cent of its products outside Denmark and has a production plant at Flensburg in West Germany.

Its mobile radio telephones are used by the London Metropolitan Police, at the Charles de Gaulle Airport, Paris, by fire brigades and ambulance services and increasingly by haulage companies. Storno's managing director, Hans Engman, stresses the importance of a strong back-up organisation and the company's reputation for reliability.

A new micro-computerised radio telephone, the Stornophone 900, is now being launched. It uses microprocessors to make a system, rather than a set, which is flexible enough to adapt easily to the special requirements of different customers. But, as Mr. Engman remarks, without 30 years' experience of radio technology his company would not have been able to take advantage of the opportunities opened up by the chips.

Radiometer is a medium-sized Danish electronics company, still owned by two founding families. Its main business is blood gas analysis equipment for hospitals and it is now introducing a fully-automated instrument controlled by microprocessors which produces the data required on both a video display tube and a printed paper strip.

Prospects

Growth has been around 20 per cent a year recently and the company's managing director, Johan Schroder, believes that pace can be maintained. Radiometer recovered from a loss of market shares in the late 1960s by determined product development and greater emphasis on marketing. It has its next three blood gas projects already in the pipeline, according to Mr. Schroder.

Christian Rovsing is the exception, a relative newcomer who has made the grade. An engineer who worked with IBM, he started on his own as a data processing consultant in 1963, working from the cellar of his house for seven years.

Now he heads a company with sales in 1980 of about DKr 140m, has a factory outside Copenhagen which will have expanded its floor-space to 12,000 square metres by the end of the year, and now employs almost 700 against 167 in 1975.

He made headlines when, against far more seasoned competition, he won the contract for a message processing system to be installed in all NATO headquarters. But that is only one of many aerospace and other communications projects in which the company is now involved, including about 30 with Britain's ICL.

The hub of its expansion is a mini-computer, the CR 80, a powerful, flexible so-called "embedded" computer constantly under development through the introduction of new modules. Christian Rovsing plans to raise output to four a day by the end of the year. It shows real expansion is possible within Danish electronics.

ELECTRONICS: PRODUCTION AND EXPORTS

	1970	1978	1979	1980*
Production				
Professional electronics	814	2,337	2,670	2,950
Consumer electronics	487	1,007	1,051	1,150
Components	421	766	810	900
Total	1,722	4,110	4,531	5,000
Exports				
Professional electronics	607	1,880	2,228	2,500
Consumer electronics	272	851	926	1,000
Components	243	658	698	750
Total	1,122	3,389	3,852	4,250

*Preliminary figures

MAIN IMPORTING COUNTRIES

(Figures for 1979 in DKr m)

	Professional electronics	Consumer electronics	Components	Total
West Germany	283	95	132	510
Sweden	223	89	102	414
Britain	188	105	93	387
U.S.	189	105	22	317
Norway	130	67	64	261
Holland	123	70	59	252
France	119	67	40	226

Source: Association of Danish Electronics Manufacturers

Industrialisation brings big changes

RESEARCH AND TRAINING

HILARY BARNES

THE GREAT period of industrialisation in Denmark was from the mid-1950s to 1973. The change was reflected in the structure of Danish exports, which at the start of the period were two-thirds agricultural and one-third industrial—but by the end of the period had become two-thirds industrial and one-third agricultural.

This dramatic and rapid change could hardly have taken place without high educational standards of which the Danes rae justly proud. The people who left the land to find jobs in industry would almost all have had not just the basic schooling (then from the age of seven to 14, now seven to 16), but some form of after-school education, often at a peculiarly Danish institution, the Folk High School.

Today, when one visits some of the top Danish companies they are often sited in some remote corner of the country which, at first sight, raise the question of where the labour force comes from—examples include Grundfos, the pumps manufacturers in Bjerrinbro in mid-Jutland; Danfoss in a remote corner of the island of Als, off the south-east coast of Jutland; Bang and Olufsen in Struer, are examples. Yet all were able to expand, and to place themselves in the top technological rank because it was not a great problem to train the people from the land in the new skills required in modern industry.

It may have been an advantage with the late industrialisation that the authorities were aware of the educational needs of industry. Special attention was paid to the training of people for a middle management rôle, notably engineers, as well as to skilled workers.

There are several ways of becoming an engineer in Denmark. The elite, the top paid people in Danish industry, are known as "civil engineers" (but the title covers the complete range of engineering and not merely construction), which requires a five and a half year period of graduate training.

For the less-exalted, the route goes from school at 16 to a three-year training period, of which one year is in school. The one-year course can be completed with a three-year training course to obtain the title of "technical engineer" which is roughly equivalent of a British engineering graduate's degree.

Strong links

A characteristic of this system is that all but the civil engineers begin on the workshop floor and there are therefore strong links between the shopfloor and top management. According to the Danes, this is one explanation for the good labour relations in Danish industry and why there is a sound understanding of the need for a high level of productivity and technological change.

This idealised description of the Danish system might cause some Danes to raise an eyebrow. The educational system is under intense debate—the basic period of schooling from seven to 16 years has been exposed to profound "egalitarian" reforms during the past decade and some people think the standards have suffered.

The gymnasium, a kind of sixth form school for 16- to 19-year-olds with a final exam, which is roughly equivalent to the UK "A" Levels, is now swamped for as much as 30-40 per cent of a school year, compared with perhaps 10 per cent in the 1950s, and again there are claims that standards have suffered. On the other hand, I have yet to meet an industrialist who has complaints to make about the quality of science graduates from the universities.

The real complaint from industry is rather different, namely that too many children have gone into the gymnasium and, from there, to university arts and social science courses, while not enough have gone into technical education. There is a shortage of engineers, especially in the chemical engineering and processing sectors.

The Government has recognised the problem and is committed to putting the emphasis back on industry's requirements. As the Labour Minister, Mr. Svend Auken has put it: "We don't need any more theatre historians, but people with languages and a technical training."

Mr. Kaare Dullum, finance manager of Novo (the pharmaceuticals and enzymes producer), who is also chairman of the Federation of Industries' Committee on Research and Education, says: "The Government has admitted that we are dependent on new technology, although it has only done so at five minutes to midnight.

"Industry has told the Government not to block new technology, but to help it—yet the Government has been slow to recognise the problem. On the other hand, we are very fortunate that labour recognises the need: there is no union opposition to it."

Expenditure on research and development in Denmark is low about one per cent of GSP, according to a study by the OECD, last year. This is partly because there is no defence industry to speak of and partly because the small-company structure of Danish industry makes it difficult for the Government to think in terms of channelling cash to industries-of-the-future.

Survival

Impulses from the Government, however, may not be so crucial in a country where most of the companies are highly export-orientated. The impulses come from the market quickly enough: no manager of a Danish export company is in any doubt that survival depends on ability to stay with high value-added products at the best end of the technological scale.

Relations between the universities and industry do not seem to be very close, though this is a generalisation to which there are some noted exceptions. This is not a new situation, but it was emphasised by the student rebellion at the end of the 1960s and the consequent introduction of a system of university government which gives the students and non-teaching staff a substantial influence over the whole range of university business, including appointments.

Contract research was a dirty word for a period and it is not lily white, now. At Denmark's Technical University there is only contract research to a value of DKr 5m a year, according to the Federation of Industries.

To ease the problem posed by the university government system, industry has proposed (and the Government has given a favourable response to the plan) to set up an Institute for Product Development at the Technical University which would be financed partly by the university and partly by private resources and by the generation of its own revenue. This would overcome some of the problems for contract research raised by the university government legislation.

To meet the needs of the many small and medium-sized companies, a unique system of development institutes and advisory services has been developed.

The services all come under the Technology Council, which is responsible to the Industry ministry. At the top of the service pyramid are the Technological Institute in Copenhagen and the Jutland Technological Institute. They both provide training courses and carry out problem-solving tasks for industrial companies with development problems.

Then there are 26 special research institutes, such as the Welding Centre and the Meat Industry Research Institute, which are also financed partly by Government and partly from their own resources.

State funds are channelled directly to companies for in-company research and development through two sources—State grants for development work for up to 40 per cent of the cost of development projects. From 1978 to 1980, about 380 projects had received about Dkr 76m under this scheme.

At the bottom of the pyramid are county technical service institutes, each with a staff of three. They advise small companies on production, financial and export problems, often pointing the company in direction of more qualified help or helping them through red tape difficulties.

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DANISH PHARMACEUTICAL EXPORT MARKETS

	1960 DKrm	%	1970 DKrm	%	1978 DKrm	%	1979 DKrm	%	1980 DKrm	%
Common Market	31	17	99	20	534	39	653	40	761	38
Scandinavia	29	16	117	24	291	21	306	19	372	19
Rest of Europe, incl. East Europe	24	14	110	23	183	13	235	14	276	14
Africa	14	8	44	9	83	6	79	5	113	6
North and Latin America	35	20	62	13	116	9	170	10	227	11
Asia	40	23	46	10	133	10	165	10	211	10
Oceania	3	2	5	1	29	2	35	2	49	2
Total	176	100	483	100	1,369	100	1,643	100	2,009	100

Source: Assn. of Danish Pharmaceutical Mfrs.

Strong emphasis on research projects

PHARMACEUTICALS

WILLIAM DULLFORCE

THE DANISH pharmaceuticals industry originated in the slaughterhouse. Insulin, hormone and glandular preparations which were first developed from the waste products of the abbatoirs, still form a substantial part of the country's pharmaceutical exports. Denmark is, in fact, the world's largest exporter of insulin.

The chemical industry, too, is closely linked with farming. The fortunes of Superfos, the fertiliser manufacturer, rise and fall with the health of the domestic and north-west German farming businesses. From Jutland, the Cheminova company exports pesticides and herbicides in bulk. But any real expansion is more likely to come from the pharmaceutical operations.

When trying to assess the growth potential some questions impose themselves. So far, the pharmaceutical industry has managed to maintain a high ratio of exports and of export growth, but can the small Danish companies continue to compete successfully on the world market against the foreign gaints?

Some Danish companies are family-owned concerns, run on sound conservative business principles. They experience comfortable growth rates, make decent profits and have so far managed to finance their development from their own resources.

Could they exploit the results of their research and development better by being more adventurous financially? The question has been rather dramatically posed in recent years by Novo, the insulin and enzyme manufacturer, which has grown fast since it broke from the constraint of family ownership and started to turn to foreign financial markets.

An allied question concerns the effectiveness of research and development. The Association of Danish Pharmaceutical Manufacturers (MEFA) has nine member companies which together account for between 75 and 80 per cent of total pharmaceutical output. During the last three years they have spent slightly more than 14 per cent of their sales income on research and testing of products, according to MEFA.

Staying ahead

This is a relatively high proportion but, as Mr. Erling Juhl Nielsen, MEFA's chairman and managing director of Leo Pharmaceutical Products, points out, small companies have to spend more than the big international concerns, if they are to stay in the game.

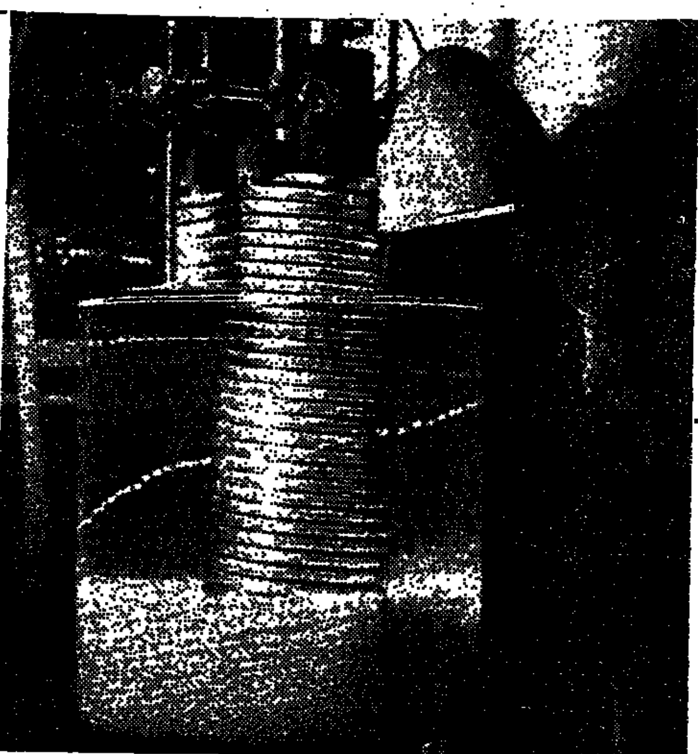
Danish manufacturers developed 15 of the 1,330 new chemical entities (NCE's) introduced to the world market between 1961 and 1977, according to figures compiled by Mannov Consult. It also estimates that of the 43 new preparations marketed since 1965 by the six leading Danish pharmaceutical companies, 11 were NCE's.

The statistics show that pharmaceuticals is the most research-intensive branch of Danish industry and also suggest that the productivity of the pharmaceutical companies' research and development staff is fairly high. Partly because of the secrecy practised by some of the companies, the issue of whether this productivity is being successfully translated into sales and market shares remains opaque.

One suspects that the business volume generated is not all that impressive and that, in spite of their high proportion of exports, the Danish pharmaceutical manufacturers still have a marketing problem. This claim can be disputed.

Thus, as MEFA's statistics indicate, gross sales of the pharmaceutical industry have climbed by between 18 per cent and 22 per cent a year for the past three years, while export growth has recovered from 15 per cent in 1978 to over 22 per cent last year. Denmark has the third largest export of pharmaceuticals per capita, in the world.

Moreover, it has consistently recorded a surplus of exports over imports in pharmaceutical trading, as much as DKr 768m ($115m), including re-exports, in 1979.



Pills being sugar-coated at a pharmaceutical factory. Vitamin exports accounts for more than 20 per cent of Danish pharmaceutical exports

Earnings

In 1978, MEFA's nine members earned an income of DKr 26m from foreign licences on their products while they paid out only DKr 8m for licences to produce foreign products.

Nevertheless, the impression remains that with one or two exceptions the Danish companies are not reaping big returns from the results of their research. One reason may be that, historically, they have specialised in product sectors, where competition is fierce and where advances come from improvements to existing drugs, which then have to be consolidated on the market, rather than from breakthroughs into new treatments.

The Danish manufacturers themselves have been preoccupied recently with the harmful effect of the domestic price control system introduced in 1976 which they consider unfairly curbs their profits and reduces their competitiveness.

From 1976, price control was transferred from the national health system to the Monopoly Authority, which according to pharmaceutical manufacturers, assesses their medicines as any other consumer product, compelling companies to display costs for each individual product. This is unfavourable to the pharmaceutical companies which have high fixed costs for research and development.

They feel that their profit margins on the domestic market are being unfairly squeezed. Figures produced by the Monopoly Authority and the National Bank show that 11 pharmaceutical manufacturers averaged a respectable return of 16 per cent on the total capital employed in 1978 but, the companies argue, higher returns on exports made up the difference.

Export prices in the long run have to be linked with the prices the companies are allowed to charge on the domestic market. Significantly, the share of domestic production in Danish pharmaceutical consumption sank from 41 per cent in 1975 to 33 per cent in 1979. Now, however, the Government seems to be prepared to adjust the pricing system.

One-third of Danish pharmaceutical exports is comprised of insulin. Vitamins, largely in semi-finished form, make up another 20 per cent with a group which includes diuretics, dextrans and heparin contributing slightly less than 20 per cent. Penicillin and other antibiotics provide some 14 per cent and there is then a big drop to psychotropic drugs, sulphonamides and hormone preparations.

Understandably enough, the companies are secretive about the direction of their current research. There have been reports of work on a betablocker and a cancer drug, but development is most likely to come from the areas in which the Danes have established expertise—insulin, diuretics, antibiotics and hormone preparations.

Novo Industri is by far the dominant concern, the one which discloses most and which has had the fastest expansion of any Danish company in recent years. Group turnover has advanced from DKr 264m in 1971 to DKr 1.57bn last year, with 97 per cent of sales effected outside Denmark.

Novo's expertise is in fermentation and purification. Enzymes make up about half its sales, while insulin probably provides somewhere between 60 and 70 per cent of its income from pharmaceuticals.

In enzymes, Novo is one of the world leaders in commercial applications and has several large customers in a market which can foresee an annual growth of between 20 and 30 per cent. It has introduced the only immobilised enzyme so far used on an industrial scale, for the production of fructose syrups in the starch industry (an immobilised enzyme is one that has been rendered insoluble, so that it can be used again).

The enzyme processing of food proteins, notably soya bean proteins, is being intensively studied by Novo. It is into ways of producing ethyl alcohol from plant materials, is researching strongly in peptide chemistry and is working on microbiogenetics for both enzymes and insulin.

Challenge

Novo controls about 60 per cent of the European market for insulin and is now challenging Eli Lilly, the world's biggest supplier, on its home ground in the U.S. Its advance has come largely from success in making a very pure preparation of animal insulin, which eliminated many of the side effects of the early drugs used by diabetics.

It is testing the production of human insulin through genetic engineering, in competition with Lilly, but is also understood to be working on an even more highly purified pork insulin which can be implanted in the body and provide a continuous infusion of small quantities of insulin.

Three other Danish companies are considered to have advanced research operations to hand. Leo Pharmaceutical Products specialises in antibiotics, diuretics and heparin and exports about 70 per cent of its output.

It invests 12 to 13 per cent of its turnover in research and development and last launched a new product, Selexid, in 1978. This is a semi-synthetic drug used in treating urinary tract infections.

H. Lundbeck, which produces anti-depressants and neuroleptics, owns the Leo pharmaceutical company in Sweden and maintains a substantial research and development operation. The smallest of the research-based Danish companies is Ferrosan, which has specialised in vitamin preparations, but has recently been working on a pill.

PHARMACEUTICAL EXPORTS

(DKr m)

	1960	1970	1978	1979	1980
Production	225	640	1,815	2,150	2,625
Export	176	483	1,369	1,643	2,009
Percentage of exports	78	76	75	76	77

Source: Assn. of Danish Pharmaceutical Mfrs.

Setbacks for the food industry

SINCE the turn of the century, Denmark has been one of Europe's great food exporting nations. At one time the odds were heavy that the bacon and the eggs forming the traditional British breakfast were both Danish. The eggs have gone from the market but 42 per cent of the bacon sold in the UK is Danish. In most British pubs and indeed in bars all over the world, the Danish traveller can usually quench his thirst in his native Carlsberg or Tuborg beer, and Danish fish products are also sold worldwide.

At the moment both the fisheries and the agricultural sectors are going through a bad period. Farmers face interest rates of 18-19 per cent on their investment loans and this is a burden which is breaking the financial backs of the generation of farmers who invested heavily from 1973 onwards when Denmark joined the EEC.

Before the agricultural crisis is over as many as one in 10 of Danish farmers may have been forced to give up his farm. In Jutland this spring, according to one report, 25 per cent of all farmers are having to mortgage this year's harvest in order to obtain fertilisers and seed for the spring sowing.

The agricultural crisis has also rocked the agricultural machinery industry, including the dairying sector. Pasilac, a leading supplier of dairy equipment from Silkeborg, Jutland, was forced this winter to make drastic cut-backs in its labour force. It is not just the problems of the domestic industry which are the worry, but the uncertainty surrounding the European food industry as a whole.

The food processing technology industries, however, loom large in the Danish industrial scene and there is every reason to expect them to continue to do so in the future. They include some of the most interesting Danish companies, and for most of them the Danish market accounts for only a small proportion of sales.

HILARY BARNES

PROFILE : ATLAS COPENHAGEN

Worldwide interests

ONE OF the biggest Danish companies in food processing machinery and equipment is Atlas Copenhagen, with a turnover of about DKr 10bn and 800 employees. It is part of the J. Lauritzen shipping, shipbuilding and industrial group.

Founded in 1899, Atlas began by supplying machinery to the meat and fish processing industries, in both of which fields it remains a world leader. These activities in turn took it into freeze drying, where it was a pioneer and is still a leading company. A few years later it went into green crop drying as well.

It also has a marine division specialising in desalinisation plants and waste treatment plants.

The company's policy is to concentrate on specific key components for the food processing industry, says managing director Mr. Knud R. Knudsen, and to co-operate with other manufacturers of specialised equipment in related fields. Thus about 30 per cent of turnovar derives from Atlas manufactures and the rest from outside specialists.

Complete projects

Co-operation enables Atlas to provide complete engineering projects while not diversifying its own resources too much. It has, for example, formed a consortium with Thos. Sabroa of Aarhus, Jutland, to offer a comprehensive industrial refrigeration programme, with a reference list for installations all over the world.

Atlas has a fairly heavy research and development programme. About 50 engineers are employed exclusively in this section, but with other R and D staff spread throughout the main operating divisions.

Among the new products the company is preparing to market is an automatic evisceration plant for the poultry industry, which it has developed in co-operation with a private poultry producer. The plant so far exists only in prototype but has operated for almost four years and pulled the guts out of over 2.5m chickens.

Another new process is a waste heat exchange for industrial driers, which recycles heat and can reduce energy costs by 20-25 per cent.

HILARY BARNES

Battle for export orders

SHIPBUILDING

SAM BROWN

SHIPBUILDING is the third largest export operation of Danish industry and by tradition and reputation the Danes hold an important place in the world shipbuilding business of which Denmark's 20 yards took 2 per cent last year.

It won orders in 1980 valued at DKr 4.1bn for 33 vessels, with a total deadweight tonnage of 722,000. By the end of last year there were 59 ships on the books, totalling 1.2m dwt.

Continuing national crisis support measures for yards in some countries continue to make it hard for the Danes to win export business. Danish yards are all privately run and do not want any kind of production subsidy, while approving the Government view that any business not strong enough to survive on its own, deserves to go to the wall.

Nevertheless, subtle political pressures are being exerted through the EEC shipbuilding link committee and the Office for Europe Co-operation and Development for a return to a free competition situation. But despite the handicap, the Danish export share was raised 11 per cent on the 1979 level to 38 per cent of total worth DKr 1.7bn. Export and home market sales a few years ago accounted for exactly half the market apiece.

The big success story of the Danish shipyards must be Burmeister and Wain, who staged a phoenix-like recovery from the depths of disaster to climb back to the position of the country's most successful yard.

B and W began to come back, after the bottom dropped out of the bulk carrier market, selling its range of the smaller Hamlet Multiflex vessels.

B and W also had an ace up its corporate sleeve in the form of a new super economy Panamax bulk carrier which used up to 40 per cent less fuel, compared to rival models. After the shipyard had been fragmented from the ailing B and W group operation, the management and workforce buckled down in a remarkable example of co-operation, to move back on course.

At the start of 1980, five Panamax vessels were on order and six more have since been added to guarantee full employment into 1982.

By using a de-rated long strong engine, slow-running propeller and high-efficiency hull profile, the B and W engineers were able to achieve their efficiency target of fuel consumption figures running at less than 40 tons of oil a day.

On sea trials, the 64,000-ton dwt ship rated 37 t.p.d. A Panamax bulker ordered today could offer 34 t.p.d. and B and W believe that 30 t.p.d. is possible. Further economy is guaranteed by replacing the usual trio of auxiliary power diesels with a turbine driven by steam produced from main engine exhaust gasses.

The Danish yards derive a real benefit from their extremely close links with the shipping companies they supply, making it more easy for them to translate operational requirement into floating steelwork.

For example, the Nakskov Shipyard's orders in 1980 included four product carriers of 10,000 tons dwt each for the A. P. Moeller concern; the yard also has orders for two 17,000 ton dwt chemical carriers for Odfjell of Norway.

Odense Shipyard also supplies vessels to A. P. Moeller; during 1980 it delivered three in a series of six general cargo vessels and three supply vessels for APM's offshore oil and gas exploration activities.

Frederikshavn Shipyard has concentrated successfully on designing and building specialised commercial and naval vessels—in particular, the FV Sea Protection range with three types of ship for use in inspection, environment and pollution control, fire-fighting and police work. During 1980, the yard won orders for three special ro ro freight vessels for Mercandia.

Elsinore Shipyards has an order for a luxury passenger ship for Iraq and three ro-ro vessels of 3,500 tons dwt each for the same country. In May, last year, it delivered one of the world's largest train ferries to the Danish State Railways for use on the Great Belt route.

Besides shipbuilding, Danish yards reported a stable situation in repair work; similarly, for the suppliers of components, such as engines, turbine compressors and boilers.

Tonnage completed during 1980 amounted to 274,735 dwt of which the biggest proportion was in general cargo freighters. The export share was 82,120 tons dwt, 21 vessels in all, including 14 trawlers, four coal ships, one bulk carrier and one general cargo freighter. Odense Shipyards built the highest tonnage, 166,645 dwt from nine ships, with Burmeister and Wain building 10 ships totalling 73,720 dwt.

Employment levels have plunged drastically since the halcyon days of 1975, when the industry supported some 20,000 workers. At the start of 1981, the total (including marine supplementary activity) was 14,000 and of that total some 10,800 were engaged in new building. The industry expects that level to be maintained up to the middle of 1982.

PROFILE: DE DANSKE SUKKERFABRIKKER

Long-term benefits of rationalisation

SUGAR IS another natural field for the growth of a supporting industry. De Danske Sukkerfabrikker (DDS) is one of the largest and best integrated companies in the country. Over the past decade it has broadened its base from beet sugar production to a wide range of industries related to food processing. With a 1979-80 turnover of DKr 4.6bn, it is one of the largest manufacturing groups.

Much of the parent company's strength arises from the price control system imposed on the company in the 1950s and 1960s by the monopolies authorities. The system set what at the outset seemed low prices, but it enabled the company to earn more money by rationalising production, says Mr. H. Bruenniche-Olsen, managing director. One of the chief ways of doing this was to conserve energy.

DDS claims to have the lowest energy consumption of any sugar factory in Europe, and this has helped the company to sell its technology in the post-1973 world. The company's know-how is also reflected in the fact that about a quarter of the world's beet sugar is processed on the basis of Danish diffusion systems.

An attempt to exploit low-energy technology by setting up a venture in the U.S. two years ago came to nothing and the company was closed. But President Reagan's deregulation of oil prices has already produced evidence in Copenhagen that the spade work done at the time has laid the foundation for future business.

The company has extended its interests to cane sugar as well. Among other things it is able to deliver a small-scale refinery suitable for rational production of sugar in areas where there is no basis (for example, because the transport system is not well established) for large-scale production.

DDS is currently working on two new developments which may prove interesting. One involves the use of syrup, such as molasses, as an additive vehicle diesel fuel. The trick is to get the diesel and the syrup to emulsify, which DDS has done. Experiments with a Volvswagen in Denmark over the past year have shown that a 20 per cent addition of syrup to the diesel fuel is ideal.

The other project is for winning industrial alcohol from straw by high pressure hydrolysis. The technique is not new but by developing a system by which the straw provides both the energy and the end-product the company hopes it may have found a viable way of using the straw which is currently burnt on the fields every year for want of any other use.

HILARY BARNES

Engineering industry hit by recession

THE DANISH engineering industry as such is the largest sector of manufacturing industry. It accounts for about a third of total output, 40 per cent of employment and over a third of value added. About half its production goes for export.

By international standards most of the individual companies are very small. Of the 2,500 total three out of four have fewer than 50 employees and only about 30 have over 500. On the other hand the big groups account for about 30 per cent of total employment, including as they do the shipbuilding companies, the F. L. Smidth cement and cement technology group, Danfoss, the hydraulics and temperature control equipment maker (which with about 10,000 on the payroll is Denmark's biggest manufacturing employer) and Bang and Olufsen.

The main body of the engineering industry lies in companies founded in the first half of this century, including the foundries, shipyards and machinery companies. But over the past 15 years or so the most rapid growth has taken place in the high value added sectors of the industry—instruments especially but also electronics and machinery.

These industries are also characterised by high export ratios and high productivity; an increasing number of companies are reaching the point where they are no longer exporting fabricated products as such but know-how. Relatively little Danish machinery goes into the cement mills built by F. L. Smidth all over the world and the same applies when United Breweries (better known as Carlsberg and Tuborg) builds a brewery abroad.

As with Danish industry in general, the engineering industry this spring is suffering severely from the domestic and international recession. Domestic orders fell drastically at the end of last year, and although export orders held up much better there was also a small decline in real value there. However, there is some comfort in the situation. Unit costs in Danish industry seem to have risen less rapidly last year than in the country's main trading partners and market shares were gained. Denmark stands to make a further small gain in market shares this year.

HILARY BARNES

Opportunities to sell expertise in overseas markets

BREWING

HILARY BARNES

BREWING technology is a field where Denmark has for long been a member of the super league. The unique construction of the Carlsberg Brewery, which since 1876 has been owned by the Carlsberg Foundation, may have something to do with this. The Foundation's profits are used for scientific research and for supporting the arts. This has undoubtedly contributed strongly to the favourable climate for research at Carlsberg, which has a large and well-known research laboratory.

There was probably a spin-off to the other breweries, including Tuborg, which since the merger with Carlsberg at the beginning of the seventies is also owned mainly by the Foundation.

The Carlsberg laboratories have consistently produced a stream of high quality work, often but not always linked in some way to brewing. For example, one of the projects the laboratories are working on now is the action of a peptidase (enzyme) extracted from yeast. The peptidase may be able to be used for converting insulin from pigs into "human" insulin.

However, one of United Breweries' recent advances springs not from fundamental research but from environmental regulation. As Mr. Jens Due put it: "We have made a virtue of necessity." Mr. Due is president of United Breweries subsidiary Danbrew, a planning and design company set up to exploit and co-ordinate the exploitation of the United Breweries' know-how in export markets.

It was formed about 18 months ago following the construction of a new brewery at Fredericia, Jutland, which is distinguished by the fact that the bottling lines are virtually silent. The brewery was forced by Danish working environment regulations to reduce the shattering noise level which has always been characteristic of brewery bottling lines.

Joint ventures

The Fredericia brewery was a world first. As working environment regulations in other countries are also being tightened United Breweries, with its technological lead, clearly has a market to exploit. But while the silent bottling line was the inspiration behind the establishment of Danbrew, the company's concept is wider, drawing on the whole range of United Breweries' know-how.

Carlsberg and Tuborg have constructed several breweries abroad as joint ventures or alone, but Danbrew is selling know-how to outsiders. This is rather unusual in the brewing industry, where companies like to sit tight on their own techniques. But, said Mr. Due, Danbrew sees no likelihood that it will push any of its own export beers off the market. In fact, as Danbrew spreads the knowledge of the quality behind the brews, he hopes it will help beer sales as well.

So far Danbrew has done project planning and design work for customers in five continents, but it is hoping for the big breakthrough soon when it expects to sign its first contract for a complete turnkey brewery in Africa.

Brewing technology is not the exclusive preserve of United Breweries. At the other end of the scale is a small company—Sanders Hansen of Copenhagen—which in some ways is highly typical of Danish industry. It was the first European company to construct (in the 1930s) an automatic pasteurisation plant. Because of the beer distribution system in Denmark most beer is pasteurised, which prompted the original idea of Sanders Hansen.

Today the company has 120 employees and a turnover of about DKr 35m a year. It exports tailor-made pasteurisation and cooling units to the brewing, dairying and canning industries all over the world. The products compete on quality rather than price, says managing director Mr. Mogens Sander Hansen, son of the founder.

The UK represents the largest single export market for Bang and Olufsen's range of audio and television equipment. An operator, above, tests one of the record players at the company's Struer factory

Wide range of products

DAIRY INDUSTRY EQUIPMENT

HILARY BARNES

DANISH spray drying was developed with the milk powder industry in mind but there are a large number of Danish companies with their roots in dairying.

The importance of quality and quality control was learnt the hard way by the Danes at the turn of the last century when every time a pound of rancid butter or a rotten Danish egg crossed a British counter there was sure to be a reprimand in the next issue of the magazine *The Grocer* — the people who produced the machinery for the food exporting industry had to live up to the same high standards as the food producers themselves.

A company which came into the business early on was Gram Vojens, of Jutland, founded in 1901 by Hans Gram and run today by his son, also Hans Gram. Last year the company was awarded the prestigious Prix de Promotion Internations of the Unesco-affiliated Institut International de Promotion et de Prestige in Paris.

Invention

Gram makes a wide range of industrial freezing equipment, but one of the first fields into which it ventured and remains as a pioneer was ice-cream making equipment. One of its latest inventions is a machine which makes the ice-cream grip a stick of virtually any shape and not just the usual sliver of flat wood.

Gram competes in the ice-cream field with another leader in this field, Hoyer of Aarhus, which is now a member of the Swedish Alfa Laval group. Both companies are able to provide complete highly mechanised installations for the ice-cream industry.

For the purpose of trying to build up dairy industry equipment exports a company was founded in 1969 which could draw on the know-how of the entire Danish dairying industry. This is Danish Turnkey Dairies. Like Niro Atomiser and Pasilac, it is a subsidiary of the ubiquitous DDS.

While the company works closely with Danish manufacturers, it is not tied to them and its strength is in know-how, including management and training as well as production.

Turnover

It has built up a turnover of about DKr 400m a year and at any one time has 15 to 20 projects in hand in developing countries. One of its biggest projects was a turnkey installation in Nairobi, Kenya, which today supplies Nairobi with its milk and butter.

It recently handed over a school milk project in Sabah, Borneo (Malaysia) for production of choco-milk based on local cocoa and imported milk powder and butter. The product is long-life, with a reduced lactose content to avoid lactose intolerance, which has sometimes proved a problem for milk development projects in South East Asia. Although milk is apparently not a popular drink in Sabah, the choco-milk has caught on with local children and is extremely popular. The company hopes the project will open up the way to other school milk projects in South East Asia.

High reputation in international projects

FOREIGN CONTRACTS

SAM BROWN

THE GROWTH of the so-called "systems export" operation in Denmark is almost certainly directly due to its industrial constitution comprising a majority of small, fairly specialist concerns operating in one of the western world's model welfare states.

That constitution also breeds flexibility and a willingness to weave together consortia that are able to handle a substantial overseas contracts and for the same reason produces an unusually close relationship between private and public sectors.

The closeness stems from industry's reliance in many areas upon calling in expertise from the public sector often on a time-hire system or short-term loan. More importantly for Danish industry, its high reputation—especially in areas such as health, agriculture, fisheries and environmental protection—has led to foreign governments calling in Danish know-how from the public sector, with natural follow-on opportunities for industry and, even more naturally, to the growth of the know-how plus hardware deal.

The Government viewpoint is that the term "systems export" is merely a working definition for a total export package in which there is an element of public expenditure. As far as Denmark is concerned, it has been going on for a decade or more in special fields, such as road building, with exchanges of engineers between Denmark and foreign governments which were also in the market for buying the time of Danish experts.

The crystallisation of the systems export ideal first really showed itself in 1974 when the Saudi Arabian Government put in a request for help with expertise in setting up a civil defence system.

Offers made

The second big deal looked set to emerge in 1978 when the Quatari Embassy in London, facing problems in finding sufficient hospital beds in London for Quatari patients, made diplomatic inquiries about facilities available in Danish hospitals.

In declining politely, the Danes offered to build up the Quatari health system supplying only know-how.

Among those attending were representatives from Saudi Arabia, who stepped straight in to open talks on a contract, now concluded, to provide staff and operating expertise for a 500-bed hospital in the south-west of the country. The five-year deal covers 70 top personnel, but no equipment at this stage —although, as with most projects like this, the amount of goodwill generated towards Danish goods must be considerable.

The Danish Trade Fund, operated through the Department of Industry, has been in existence for some time as an aid to exporters, providing funds for pre-feasibility studies and backing for expenses incurred staging exhibitions and seminars abroad. In 1981, it will receive DKr 170m.

Since January, 1981, another level has been inserted in the process by the creation of a Project Committee which has the job of co-ordinating the activity, warning of political pitfalls and cutting through the red tape. Members include the Industry and Foreign ministries, the Federation of Industry, Agricultural Council and the Consulting and Contracting Council.

The Government view sees the pattern of exports shifting from goods to technology and expertise, in many cases the selling of knowledge being the only way to avoid export barriers and into areas where it would not be possible to send the finished product.

Viewpoint

Denmark's Federation of Industry, equivalent to Britain's CBI, is less impressed with systems exports, believing that it has received more attention than it deserves. While recognising its contribution the Federation sees it as accounting for only up to three per cent of the total export effort contributing two to three billion kroner.

Many Danish companies are old hands in the turnkey projects business, for example, concerns such as F. L. Smidth, with a string of lucrative contracts for cement factories, plus know-how. Nigeria is a fertile area for Danish water treatment specialists; I. Krüger recently won an order for six waterworks worth DKr 300m and Akvadan Harvey delivered DKr 70m worth of water treatment plants.

Companies within the Den Danske Sukkerfabrikker group have a particularly good export record and, in 1979, DDS became the first Danish concern to open an office in Moscow.

One of the best examples of the completely integrated systems export package deal is provided by a DDS subsidiary, Danish Turnkey Dairies.

With operations in Latin America, The Far and Middle East and Africa, DTD can produce a whole project package from design through to supply and installation of equipment, personnel training, arrangement of management contracts and research operations.

E1

Pioneer techniques are spin-offs from the food industry

POLLUTION CONTROL

HILARY BARNES

FOOD PROCESSING has led both directly and indirectly to pollution control industries, partly through the need to cleanse the effluents of the industries themselves, partly by conversion of food processing technology to other uses.

Niro Atomizer (a subsidiary of DDS) for example, was founded to produce spray driers for the food industry. It has since diversified into other related equipment, such as evaporators, fluid bed driers and spray absorption. One of its biggest recent successes is the adaptation of spray drying techniques for the removal of sulphur emissions from power stations.

"We have adapted known technology to a new area and we got in first," says Mr. Keith Masters, marketing manager. "We were the first to sign a contract for this kind of equipment in the U.S. We were very successful in coming up with the idea and having the technical and financial strength to push it through."

The technique, which is a child of the tough pollution control regulations in the U.S., has two advantages over others. It is very efficient, removing over 90 per cent of the sulphur emissions, and it is a dry process. Other sulphur "scrubbers" use a wet technique, which produces a liquid pollutant.

Spray drying produces a powder which can be absorbed into the power station's existing ash disposal programme. A further potential development is to convert the waste to building materials and synthetic gravel, a saleable product.

Neither Denmark nor the UK has emission control regulations, which makes them interesting markets for Niro's equipment. Sweden, West Germany, Belgium, Holland and Czechoslovakia are potential markets created by local clean air codes.

The company has about 40 per cent of the world spray drying market and because it has such a big share and can devote a high proportion of its resources to research and development. ("We enjoy the luxury that 20 per cent of our staff at headquarters in Denmark are in R and D," says Mr. Masters.) It believes it is in a strong position to stay at the head of the field.

Step further

Another of the world's leading spray driers, is Danish, Anhydro, founded by a group of engineers who split off from Niro at the beginning of the 1950s. It has gone a step further than Niro in that it has no fabrication facilities of its own, though it has extensive pilot and test facilities in Copenhagen.

Amonodan is a small company in Skagen, North Jutland, which over past years has built up a sound reputation in water treatment and waste recovery plants. Its technology is designed for the food industry but can also be applied to the wood industry and tanning industry effluents. The company recently won a major turnkey order for a flotation plant in New Zealand which will treat wastes from the slaughtering of 1,200 sheep and 800 cattle a day.

Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

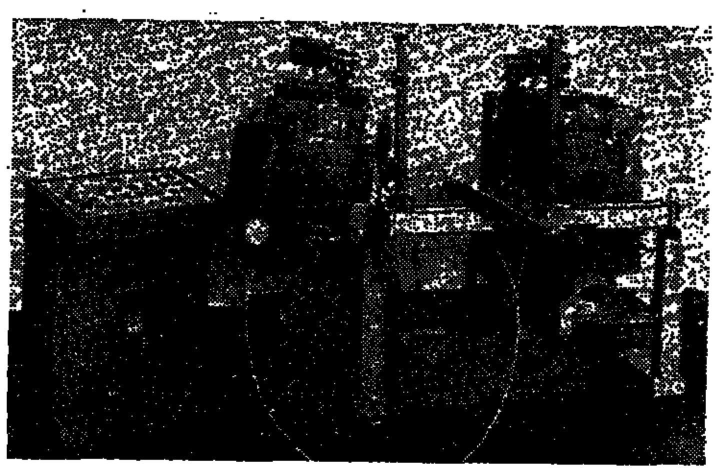
Italian and Dutch woodworking units

TWO NEW woodworking machines, imported from Italy and Holland respectively, have been introduced to the UK market by Calder Woodworking Machinery, Sowerby Bridge, West Yorkshire (0422 31861).

The first is the T2/A automatic round tenoning machine, made by the Italian company Pade, which can be set for one straight joint and one inclined or both the same. Different sizes can be machined at each end. This flexible combination is achieved by motorised guides travelling on three axes with cutter heads adjustable either vertically or horizontally.

Adjustment on the horizontal axis is manually controlled, though a reduction unit is incorporated to ensure accuracy. The two entirely independent groups of cutters allow the simultaneous production of differing round dowels or tenons on the same work-piece, says Calder. The damping system is pneumatically operated, with automatic release at the end of the work cycle. Loading is also automatic. Loading and unloading take place on the same side of the machine to allow better use of floor space and easier control. A separate console provides over-riding control of all automatic functions.

The other new machine is a broad-belt sander, known as the Kombi, made by the Dutch company Boere. Designed for small- and medium-size woodworking companies, it is claimed to combine two proven Boere principles. Stock removal is effected by the sanding belt passing over a roller to give point contact. The roller has spiral grooves to dissipate heat, thus improving the durability of the abrasive, and a fine height adjustment by means of a cam action.



The Pade automatic round tenoning machine

Madge is set for a soft landing, at last

BY GEOFFREY CHARLISH

A BRITISH aircraft landing system called MADGE, progressively developed by MEL of Crawley (a Philips company) has had something of a chequered history over a period of some 20 years in which civil flying authorities and the armed services alike blew hot and cold for reasons ranging from U.S. avionics industry influences to cuts in defence expenditure.

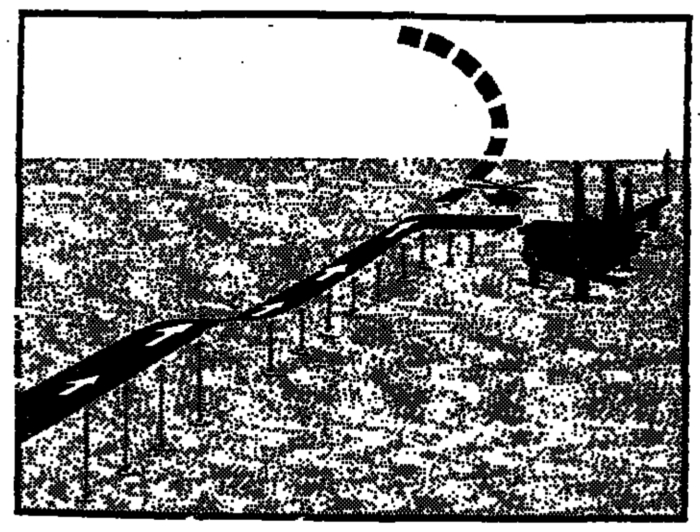
But now MEL has £5m of production orders from the Ministry of Defence for the Royal Navy's four carriers and Harrier aircraft and this week the company told the Financial Times that "Civil Aviation Authority certification for helicopter landings on North Sea oil platforms "will be obtained" in a couple of months, thus opening up a market which in the North Sea alone is worth about £25m.

The Stage One trials, conducted with a Bristow/Sikorsky S61 from Mobil's Beryl A platform are complete and cover conditions down to 550 metres visibility and 200 ft approach altitude. Stage Two approval, for 300 metres and 150 ft is expected by the end of the year.

MADGE (microwave aircraft digital guidance equipment) is thus now entering a commercial phase after more than two decades of official oscillation.

In fact, the system can land any kind of aircraft in bad visibility conditions with great precision, versatility and reliability. However, it is a "ground derived" system in which the pilot asks the ground equipment to determine his position which is then sent up to the aircraft on a digital data link. Civil airline flying is at the moment firmly welded to "air derived" systems such as the present instrument landing system (ILS) in which the pilot flies down a narrow beam and airborne equipment determines position, displaying it to the pilot on the familiar crossed pointer display.

ILS, very widely established at airports throughout the world, is protected as the standard ICAO approach aid until 1995 (with a review in 1985) and many believe it will endure into the next century.



A helicopter lands on Beryl A in the North Sea using MADGE guidance units in foreground. Diagram shows offset approach path—the aircraft is brought safely alongside, with "overshoot" option

Interferometry

Although ILS has been progressively improved, MEL's interferometry division manager Hal Derwent believes MADGE has many advantages to offer, not least of which is its volumetric coverage—90 deg in azimuth (approach directions in the horizontal plane), 25 deg in elevation (glide slope paths of incoming aircraft) and DME (distance measuring equipment) coverage in any direction.

The pilot can select on a panel one of ten glide slopes between two and 20 deg and can then fly the aircraft using the ILS type of crossed pointer. But, unlike ILS, MADGE can do the same thing in azimuth due to the 90 deg forward coverage arc. This wide coverage means that the system can handle up to 100 aircraft at the same time, including helicopters and both short and vertical take off aircraft.

Furthermore, due to the frequencies used (5000 MHz) and the techniques employed, MADGE is not prone to aberrations due to radio reflections from site oddities such as the local gas holders. Also, it can be set up on any site by two men in 15 minutes. Airfield ILS installation can take many weeks and site abnormalities have to be calibrated out.

The use of a data link also provides considerable operational scope: for example, the aircraft identification, range, bearing, angle of approach, height and fuel remaining can be shown for up to six aircraft using a recently designed display unit.

But Derwent realises that even with these advantages MADGE cannot pentrate the airline aviation market for the time being. By similar tokens, Britain's other contender for landing systems, Plessey, lost out with its Doppler MLS (microwave landing system) to the U.S. designed time reference scanning beam system in which a scanned radio beam with coded position data is picked up by the aircraft.

So MEL has turned its attention to more adventurous buyers—the military and the oil men—and is also looking at the "non-airliner" civil market where, by 1985 there could be as many as 68,000 aircraft flying each worth more than £1m (but only 4,500 commercial airliners) according to an MEL survey. In the UK alone there are 400 private airfields.

Technically, MADGE has elegant basic principles. When the pilot needs guidance he sends an interrogation signal which is picked up by multi-element horn aerials in two units, one 6 ft tall with eight horns for elevation angle measurement and the other 4 ft long for azimuth (seven horns).

Approach

The horns form two interferometers: if the aircraft is not on a line at right angles to the arrays, signals will take longer to reach some of the horns than others and the phase differences of the received signals are used to compute the two angles of approach.

The information is sent almost instantaneously to the pilot's display on the data link and, if desired, data about any aspect of the aircraft's situation can be sent to ground on the same link.

A facility of MADGE is that the azimuth approach centre line can be offset to one side of the ground installation: the ground processor makes the necessary computation and sends suitable signals to the aircraft.

It is this facility that makes MADGE particularly suitable for oil platforms since it is generally considered that any "straight-on" direct approach is dangerous in bad visibility. The offset approach will bring the helicopter 200 metres away from and directly alongside the pad, 50 feet up. The pilot then finishes the landing visually.

Similar techniques can be used for collision avoidance by putting a "radio box" round each helicopter/VTOL. Warnings can be provided if one aircraft's box is entered by another.

NEWS IN BRIEF

PACKAGING

AN ADVANCE in the converter coating of polypropylene film for biscuit and confectionery packaging is claimed by Mardon Flexible Packaging, Midsomer Norton, Bath (0761 418761) with the introduction of a new PVdC (polyvinylidene) coated polypropylene film known as Mardocote S.

The company says it is the first time that a non-barrier polypropylene has been fully converted by applying a barrier and sealing coat of PVdC on the reverse side, allowing the top side to be gravure printed in up to seven colours before a second coal of seal and gloss PVdC is applied.

A further claim made for the film is that the wide sealing range makes the most of the improved barrier properties to give a longer shelf life than conventional coated packaging film. It was originally intended for biscuit roll packs and is said to be suitable for both horizontal and vertical form-fill-seal applications.

MATERIALS

SPECIALISING in what it calls "overseal banding" techniques for road repairs, Thormack is offering a material for sealing cracks in asphalt roads which gives a greater resistance to skidding than its previous products in this field.

The company says about 7m linear metres of overseal banding were laid on all classes of road last year. For the most part, the materials used were sealants well suited to absorbing stresses and structural movement but could have been more satisfactory in terms of skid resistance.

The latest formulation, Thormaseal SR, is said to have overcome the problem and to comply with the Department of Transport's requirement for minimum skid resistance. More information about the product can be obtained from Thormack at Bellbrook Estate, Uckfield, East Sussex, TN22 1BE.

SECURITY

ANTI-BURGLAR bars made to fit various types and sizes of window, and designed to comply with insurance companies' guidelines without being prohibitively expensive, have been introduced by SBR Welding, Avon Terrace, Salisbury SP2 (0722 331991).

The bars are constructed of ¾ in steel rod set vertically at 5 in centres through rectangular steel strips set horizontally. The ends of the strips are split to allow firm wall fixing. Bars and strips can be supplied painted in special colours.

THE PROPERTY MARKET BY MICHAEL CASSELL

Canadian Group comes to London

ONE OF the top five real estate companies in North America, Daon Development Corporation, is seeking a listing for its shares on the London Stock Exchage.

Merchant bankers S. G. Warburg and Canadian brokers McLeod Young Weir are leading the introduction for the Vancouver-based group, with Cazenove as brokers in London.

"I guess," said George Reifel of Daon, who is in London this week, "that out of the top ten real estate companies in America maybe eight are Canadian."

Reifel is vice president corporate finance of Daon whose American "top five" spot puts it among names like the Bronfmans — Cadillac Fairview and Trizec representing the "rich" and "poor" branches of that family — and the Reichmann brothers' Olympia and York.

Daon does not see itself, however, as a rising conglomerate. According to Mr. Reifel: "We have no current plans or objectives to diversify out of North American real estate. We see far more of those opportunities than we can manage."

The company has a short, but meteoric record to back this judgement. Operating out of Vancouver since 1964 and with a U.S. involvement dating only from 1976, it now splits its activities roughly 50-50 between the U.S. and Canada in terms of "assets, activities and people." Over the past decade its assets have shown an annual compound growth rate of 53.5 per cent in the first five year period and 50.5 per cent in the latter five, reaching $C1.67bn last October 31.

Daon operates in three basic areas: preparation of "raw" land for commercial or residential development; conversion of existin gresidential buildings for sale as separate units (4,000 last year) and development of commercial and industrial income-producing real estate for retention or sale, which leads to a "discretionary" element in reported profits for any given year.

As Mr. Reifel's title suggests, he came here with money in mind. "We want to diversify our sources of capital," he noted. Daon has a Eurocredit in the process of syndication and the London listing of its common shores is timed for mid-April.

Daon was listed over the counter in New York earlier this year but in Montreal, last December, chief financial officer Mac Campbell described London as "the most mature property stock environment in the world."

Daon recently offered limited partnership units, aimed at wealthy individuals and smaller institutions, representing a 65 per cent interest in Daon Shopping Centres, Alberta. This 65 per cent could clear 100 per cent of Daon's costs on the centre.

Trocadero site takes shape

A MARKETING campaign to attract tenants to the new Trocadero complex at Piccadilly Circus, one of London's most ambitious and imaginative redevelopment schemes, is now in full swing.

The start of the search for catering tenants represents an important milestone in the development of a site which has been waiting patiently for a new lease of life since the late 1950s.

The indications are that the wait will have been worthwhile, though there is no question that a scheme which attempts to drop the best of Disneyworld and a great deal more besides into the heart of the West End must involve a few more imponderables than some might be prepared to contemplate.
ment, restaurant and shopping complex now being built on a two-acre site to the east of Piccadilly Circus is an inspired attempt to help revitalise a part of London which has succumbed to the worst excesses of tourism and which for many people has become a place to avoid rather than a place to go.

Electricity Supply Nominees, the electricity industry pension fund, is developing the site at a cost of around £45m and on completion in late 1982 it will provide a mix of leisure and shopping facilities which London has not previously seen.

At the centre of the new eight-storey scheme, housed behind walls which once embraced names from the past like Scotts, the Trocadero Restaurant and Lyons Corner House, will be a 110 foot basement-to-ceiling atrium reminiscent of the Citibank building in New York or of a Hyatt hotel lobby.

Around the atrium on different floors will be 30 speciality shop units, a choice of eight restaurants offering a range of international cuisine and a bag of attractions which will enable visitors to take a ride in a two-man submarine to the Lost City of Atlantis, go back into London's past or follow the history of manned flight.

Cinemas

There will be a cinema screen 60 feet high and a 360 degree cinema, ghost rides and Dickensian shops and—just about everything that a major pension fund might not be expected to tangle with.

But according to Barry White, the man from Richard Ellis who has been working on Piccadilly since 1967, the scheme's roots are firmly embeddied in sound sound financial foundations. The shopping space and restaurants will provide around 85 per cent of the centre's income, with the entertainment facilities designed to pull in the crowds—10,000 people an hour pass along Coventry Street at peak periods.

The real key to the centre's success will lie, however, on the other side of Rupert Street—one of the Trocadero's boundaries—where ESN is to build 123,000 square feet of offices in two separate blocks. Work on the first will begin soon and the two should be complete and income producing by 1985.

Back in the Trocadero centre, the first priority for Barry White has been to tie up the (mainly U.S.) entertainment operators—who will hold franchises, on a turnover basis—and to find a management company for this part of the complex. An agreement with a British group is near and operators for most of the proposed entertainments are lined up.

Marketing for catering tenants represents the next step and Ellis, who are development consultants and will have overall management responsibility for the complex, have already brought in Movenpick, the Swiss catering specialists, to advise them. The company is expected to take space in the centre and could also take on management of the catering activities.

Quality

Shop tenants will be sought from about June onwards and rents for the speciality units (no multiples please) could run up to about £75 a square foot against well over £100 a square foot for local zone A retail space.

According to White: "We will not be going for the highest rents but for top quality covenants. We want to get the centre consolidated and traffic building up, so that we can look forward with confidence to the first rent reviews."

"The big question hanging over the scheme was whether the area had gone down too far to be pulled back and given a new lease of life and respectability. We believe this scheme, together with some of the others taking place in the vicinity, will give new heart to a run-down area."

That new heart involves a variety of redevelopment schemes, including the London Pavilion, where a three-level shopping complex should be open in 1983-4, the Land Securities' Monico Site, now done, and the Criterion, where Trust Houses Forte appears to have got bogged down in financing arrangements for its 180,000 sq ft office scheme.

ESN's longstanding interest in the Trocadero site—which Joe Levy's Stock Conversion had been battling to redevelop since 1959—nearly ended in 1975 when a development agreement with Stock Conversion expired. The Piccadilly area was at its lowest ebb and ESN nearly sold out on a break-up basis.

It was decided, however, to have one more go and discussions with the Greater London Council and Westminster City Council finally bore fruit in 1980 after five years of talks. Barry White, the driving force behind the new Trocadero, is counting the days until his first ride through the Lost City of Atlantis.

New Reading plan

PRUDENTIAL ASSURANCE and British Rail are preparing plans for the redevelopment of Reading station, which will include up to 250,000 sq ft of new office space.

It appears that the partners have been forced to make an early announcement about the scheme because of local publicity so they are not yet in a position to spell out details of the project.

Plans do include, however, the retention of the station's existing late Victorian frontage, a new station concourse, shops, a travel centre and booking halls. Covered, air-conditioned piazzas will link up with the new office accommodation, part of which will be reserved for railway use. Just how much will be available on the open market in an area where office rentals have shot ahead is not yet known.

The Pru, which is being advised by Hillier Parker May and Rowden and Campbell Gordon, says the location is one of the finest still remaining for development of this nature. A planning application will be submitted when detailed talks with the local council are complete and work should start in mid-1983.

● British Telecom has taken 98,000 sq ft of industrial floorspace at the Fort industrial park, a Birmingham development by Bryant Samuel Investments. The letting follows a fire at British Telecom's previous Birmingham premises, which destroyed 60,000 sq ft of accommodation, and accounts for almost two-thirds of the development's second phase. A total of 70,000 sq ft of phase one has been let, leaving 43,000 sq ft on the market. Agents: Phoenix Beard and Edwards Bigwood and Bewlay.

● Hammerson has sold Hogg Robinson House in Reading for £4.7m to ITC Pension Trust. The 39,000 sq ft building was completed in November last year and was pre-let to Hogg Robinson on a 25-year lease. Richard Ellis acted f ITC.

● Courage, which this week announced it has appointed Richard Ellis to advise on the future use of their extensive freehold landholdings on London's south bank, has taken a further 46,700 sq ft of space on Electricity Supply Nominees' Merton industrial park in south west London. Rent is £3.50 a sq ft on a 25 year lease with 5-year reviews. Courage already has 55,000 sq ft of space on the development. Richard Ellis and Michael Laurie acted for ESN.

● Arowcroft has applied for planning permission to develop a £15m shopping scheme on a 2-acre vacant site in the centre of St. Albans. There will be two large stores, 14 standard shops and a colonade of smaller units. Arrowcroft acquired the site from Apex Properties, whose application for a store was turned down. Shearer Harris and Healey and Baker will be letting agents.

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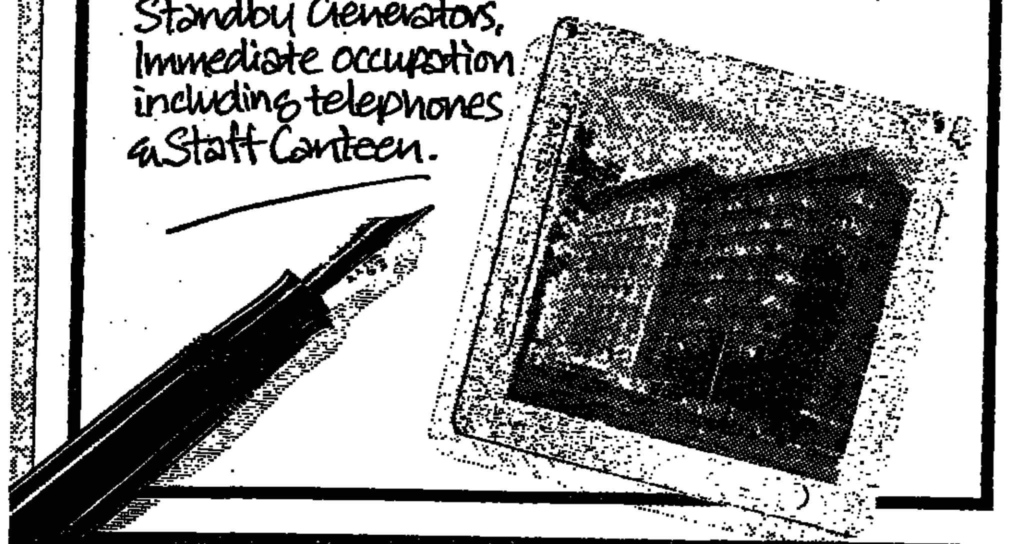

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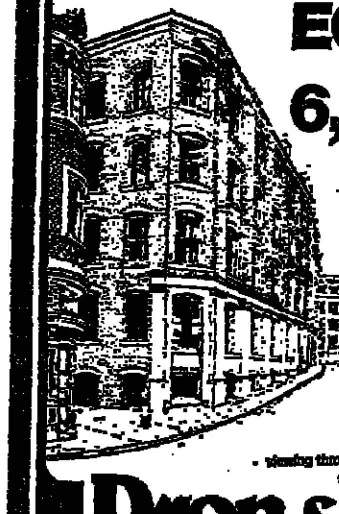

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SCOTTISH PROPERTY
24th APRIL, 1981

The Financial Times proposes to publish a Survey on Scottish Property. The provisional editorial synopsis is set out below.

1. INTRODUCTION
2. OFFICE SPACE
3. SHOP AND RETAIL
4. INDUSTRIAL AND WAREHOUSE
5. RESIDENTIAL
6. INVESTMENT
7. PROFILE A look at the Scottish Property market through the eyes of an individual or company involved in it.

Copy date Tuesday, 14th April, 1981.

For further information please contact:
Simon Boyd - Telephone: 01-248 5212
Financial Times, Bracken House, 10 Cannon St. London EC4P 4BY - Telex: 885033 FINTIM G

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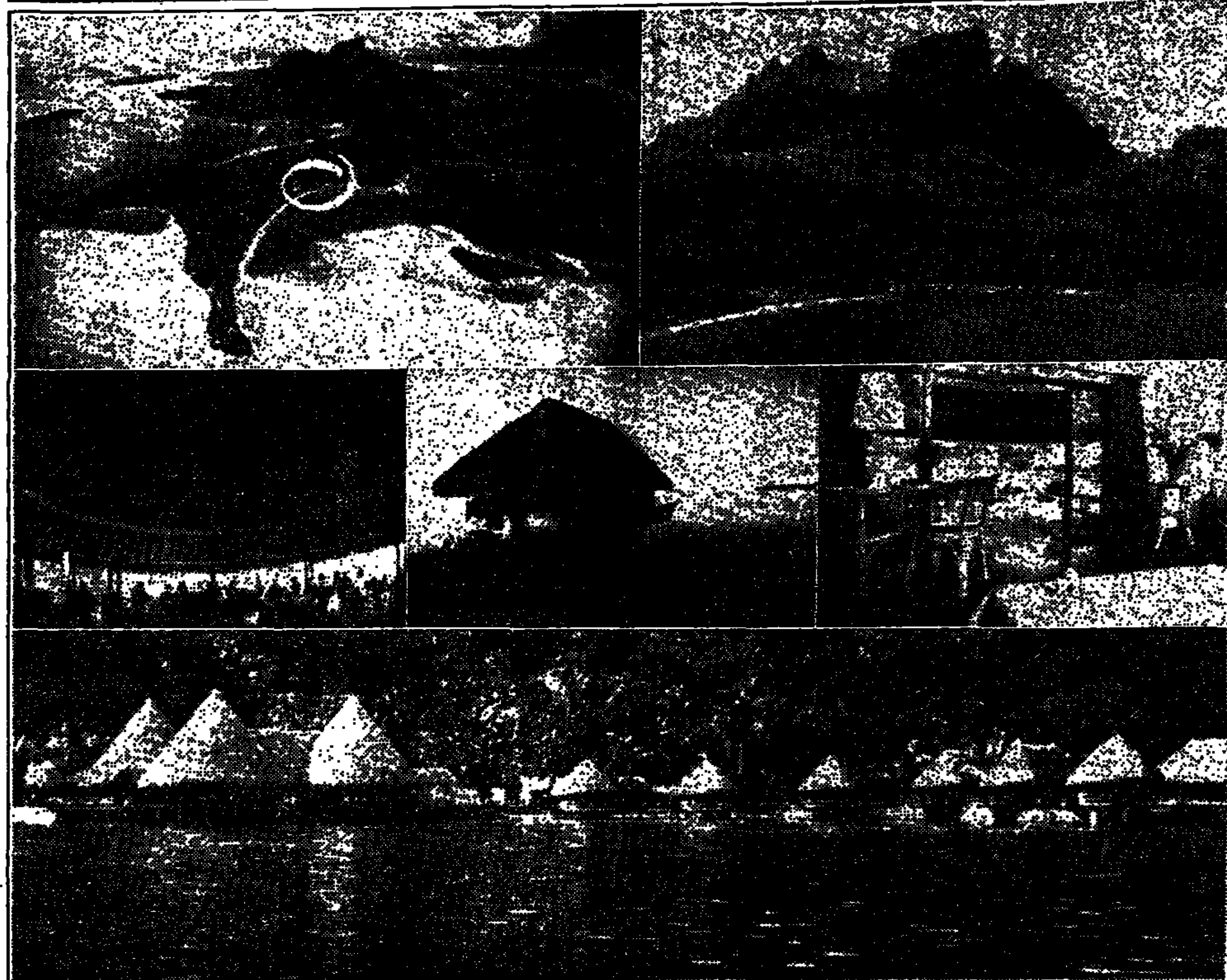

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A power struggle at the grass roots

Stella Shamoon reports on the contenders for supremacy in the lawnmower market

WHEN a lawnmower manufacturer talks about delivering "a coup de grace" to its competitors, the unintended pun may be amusing. But Peter Bullock, the managing director of Flymo, is deadly serious. Last year Flymo gained market share at the expense of Black and Decker, and now plans to steal a march on its arch rival Birmid Qualcast, the troubled engineering and foundry group, whose successful home and garden equipment division claims the lion's share of the UK market.

Not surprisingly in such a competitive market, no one can agree on their respective market shares. Flymo claims its aircushioned hover mowers, both electrical and petrol-motored, hold a third and Qualcast's range "only a little more," while B and D has a quarter. There is one certainty: Flymo, a UK-based subsidiary of Sweden's Electrolux, has set its sights on 5 per cent more this year—at Qualcast's expense.

The two have been locked in ruthless comparative advertising on nationwide television—Flymo's 1981 campaign started last week. Qualcast has a comprehensive range of mowers, but is concentrating on its Qualcast Concorde cylinder mowers, in direct competition with Flymo's aircushioned hover variety.

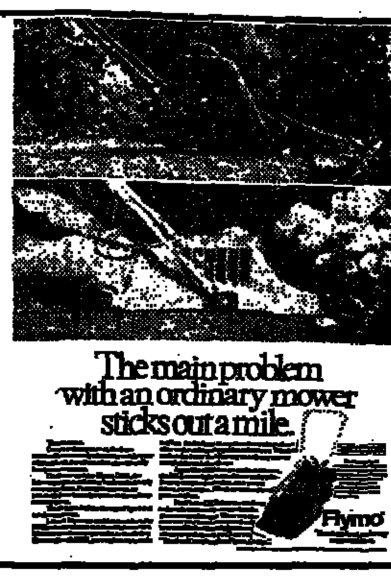
The total UK market in actual sales is some 1.25m units a year, according to Bullock. Handmowers represent only 5 per cent or so and are virtually defunct in the gardening world.

The three majors have spent around £8m playing technological leapfrog in the past decade. Competition is so fierce that there has to be continued concentration on innovation and aggressive marketing.

With the increasing sophistication of the market Flymo has the highly optimistic belief that two in three British gardeners will replace their mowers this year and the third will be a first time buyer. Thus replacement of the small mower of the early 1970s vintage (when there was a flurry of new technology followed by a pre-VAT boom) promises big business this year, with Qualcast out to convince that cylinders are best for lawns and Flymo suggesting that hovers are "quick, light and easy" for gardeners.

Qualcast seems to agree that expedience is a big selling point. Last year's "It's a lot less bovver than a hover" campaign—the subject of bitter complaint from Flymo to the Advertising Standards Committee, which the ASC rejected—is followed by a new campaign designed to get Flymo just as hot and bothered.

Whoever wins, the consumer has been taking the prize of better product development for years, and this will continue. The technological change has brought smaller, lighter mowers onto the market—mostly electric and appealingly designed. The future promises new "revolutionary" products in the wider outdoor field. Flymo, like Qualcast, is looking to diversification that will fit in with strong brand image, wide distribution channels and certain manufacturing disciplines.



While waging a technological battle, Qualcast and Flymo both indulge in knocking each other's product

Lucrative

Although the Japanese failed to sell petrol engines to British manufacturers on a big scale and had little success with Honda's petrol-motored mower, the British majors agree that Honda will stand its ground, and one day return to conquer a sizeable share of this lucrative market.

Bullock is looking forward to the fight. A former marketing director, he unashamedly attunes his management philosophy to marketing. "Here the product is king. Too many chief executives leave others to develop and market the product. That is why the Japanese are so successful at getting ahead of British manufacturers; their marketing is co-ordinated at the highest level of management."

Based at a factory in Aycliffe, Co. Durham, Bullock emphasises the integrated approach of all senior management. There are only two full-time directors on the Flymo board (heavily populated with non-executives from Electrolux). But he hopes soon to bring on to it the marketing director, production director, and director in charge of research and development.

For the rumbustious Flymo, the drive overseas is at a high speed, while Qualcast, strong in Benelux and Ireland, is adopting a more cautious approach. Flymo UK's second manufacturing arm in Europe is in Northern Italy where the modest plant provides engines for assembly at Aycliffe and supplies Flymo products to fully staffed representative offices all over Europe, either via the Electrolux circuit or in Flymo's own network.

Flymo also manufactures in New Zealand and Australia and, through a franchise agreement, in South Africa. The two-year-old Seattle plant in the U.S., where consumers are increasingly switching from petrol-powered mowers to electric, has made a promising start in a market which has a potential of 5m units a year.

Bullock agrees his management is pretty stretched at this turning point in Flymo's history. The balance sheet is "highly geared" with borrowings at some £10m, a ratio of two to one on equity base. But "the product is right" and furthermore, claims Bullock, there are some "revolutionary products" in the pipeline — one such will be launched this year.

Flymo's current strength is a far cry from 1976 when, after overstocking during the dry summers of 1975 and 1976, it went running in tears to its parent. Electrolux had to rescue Flymo to the extent of £4m. But under Bullock's management, the company has proved a rewarding investment. Bullock was appointed marketing manager when he joined Flymo in 1969, became marketing director and then general manager by 1976. He was quick to grasp the nettle as managing director, conscious that his working relationship with the de-centralised Electrolux would be unrestricting provided he delivered the goods.

He knew too that he was starting from a depressed base, and thus had a unique opportunity to bring about a dramatic turnround. His immediate action was to bring the R and D function from Sweden to the Aycliffe plant, where marketing was also taken in from Watford.

The real benefit of the move was that a fresh team of R and D men in the UK "didn't know that this was the most fantastic product that could not possibly be improved upon — so they went ahead and did it," jokes Bullock. "The Swedish lot had said that small machines would cost almost as much as big ones and therefore were not worth developing—wrong. They said grass collection boxes on hovers could not be done — wrong again. We did it."

Whereas Flymo had tended to distribute through specialised retailing outlets before, Bullock risked antagonising those traditional customers by widening the network of dealers to multiples like Tesco and Woolworth, discount centres, and selling by mail order.

Results prove not only that he got the promotion right, but also that, in the words of a rival, Flymo pre-Bullock, "had got everything wrong." Sales in 1976 were £8m and pre-tax profit £175,000. 1980 figures—unveiled yesterday—show turnover at £31.3m and pre-tax profits at £3.3m.

Flymo and Electrolux are inextricably linked in reciprocal production as so much of Flymo's product cost is in motors and plastic mouldings. The main Electrolux factory in Luton supplies Flymo with motors while Flymo makes all the plastic mouldings for Electrolux and for its own use. A common computer system for production control directly generates orders for motors and mouldings for each factory, without formal purchase orders.

Bullock put Flymo back on the path of success just as the hover patent was beginning to run out. Qualcast then came out with Airmo, and B and D with the Hover Mower. But, says Bullock gleefully, if it defends its cylinder ranges by knocking Flymo's hovers, Qualcast "will have to knock its own Airmo product."

Superior

So what? retorts Qualcast. The company, having done "in-depth research" between 1978 and 1980—and indeed refrained from spending anything on promotion in 1979 pending decisions on which marketing strategy to follow—is convinced that cylinder mowers will make all the running in growth in the current year. "Consumers will come to realise that our product is superior," says Qualcast.

As for prices, in 1976 Flymo's were among the highest. Now though, economic production and greater sales volume has given the company a powerful punch; some of its current prices are aimed below Qualcast's belt in competing with the Concorde. Anticipating that attack, Qualcast is promoting its Rota-Mo rotary ranges as cheaper alternatives to Flymo's hover models.

Qualcast is setting up a new R and D department in the wake of the battle cry. It is to be expanded, centralised at headquarters at Derby and computerised as Qualcast sees "opportunities in the next five years in excess of our present capabilities." Bullock maintains it is too late and that Qualcast made a "disastrous marketing mistake" by virtually killing the Atco brand name, which symbolised quality. Qualcast admits it neglected Atco until 18 months ago, but says it is alive and well and will become livelier competition in the future.

Meanwhile B and D is happy to sit back and let Qualcast spend £1m plus on machines that pick up grass and Flymo can go on spending much more than £1m on hover promotion, thank-you: B and D boasts both types of equipment and in the light of its competitors' fight is not saying what line its own "large promotional campaign" will take, or how much it will cost.

But, warns B and D: "any manufacturer who underestimates the Japanese threat is heading for difficulty. They—the Japanese—have got a 5-10 year plan; they are building up distribution and plan to attack when they are good and ready."

The mowing revolution

Flymo began the technological revolution in the lawnmower industry in 1965 when it patented the principle of a rotary-bladed mower that hovered on a cushion of air. However, its early models, which were petrol-engine powered, were big and expensive.

The technological battle really got under way in 1968 when Black and Decker, then best known for its electric-powered hand drills, shook the market with its Launderette mower, a wheel-based model with a rotary blade—and electrically powered.

Qualcast, Britain's major lawnmower manufacturer, responded with the Rota-mo. Its next innovation in 1971, was the Concorde, which leapfrogged the Launderette and combined an electric drive with the more traditional cylinder type of mower. It is still one of the best selling models in the UK.

B and D then came back with its own version of Concorde — the Lawnraiser. Though good looking, the price was not right and a cheaper, less glamorous version called the Hornet was launched. While B and D and Qualcast were slogging it out for market share in the early 1970s with new models, Flymo remained very much on the sidelines with about 5 per cent of the market.

In 1976, B and D abandoned the cylinder mower, leaving the field open to Qualcast. Then, both companies almost simultaneously came up with rotary mowers with grass-collecting devices. This move answered criticism about rotaries leaving cuttings on the ground, which was said to be bad for grass. Flymo's hover mower had no collecting device however.

Flymo first emulated B and D and Qualcast's electric powered models in 1969 and has since developed smaller and lighter models. Though it denies that cuttings are bad for grass—indeed it believes they are beneficial — it recently developed a grass collecting model. Meanwhile, both B and D and Qualcast responded to the hover-type mower in the late 1970s with their own models—the Hover Mower and the Airmo—after Flymo's patent ran out.

Much of the effort has been concentrated on electrically-powered mowers but in 1979 Honda launched itself into the market with a petrol-engined model—which had very limited success.

'Nouveaux pauvres'

WHEN George Orwell wrote about unemployment — and much else besides — in "The Road to Wigan Pier," he described the unemployed ("the poor") as a kind of underclass, who had to be sought out by diligent (and cathartic) investigation.

The introduction — since the book was written in 1936 — of a comprehensive welfare system with a relatively secure safety net for the unemployed, coupled with effectively full employment in much of the period since the war, has relegated "Wigan Pier" to the status of a curious classic and brought the unemployed into focus as a solvable problem for social and economic policies at the macro-economic level.

Ebbing tide

Concern of the Orwellian type was no longer appropriate. The famous image in "Wigan Pier" of the young housewife—"kneeling in the bitter cold, on the slimy stone of a slum backyard" was replaced by the militantly work-shy trade unionists of "I'm all right, Jack."

That tide is ebbing now, drawn back by the pull of 2.5m unemployed. The nature and experience of unemployment is seen to deserve close attention once more.

"The Workless State" provides, in seven essays by various authors, as complete a rundown on national and international issues surrounding the subject as could be expected in a relatively compressed format.

The editors say that the reason for writing the book was that "the subject of unemployment (is) receiving less attention than it deserves": and in their joint essay, "A most unequal tax," they disclose the kernel of their argument.

"If unemployment is not going to decline in the near future (and the main questions are where, how much and how fast it will increase), the debate needs to be about how the work that is available should be distributed, and how those excluded from any meaningful economic activity should be treated."

The polemical skill and empirical evidence deployed by them and their contributors in the remainder of the book gives that contention weight. The paucity of planning, the stopgap nature of many of the measures adopted by governments since the war, the rising trend in unemployment in the UK and other industrialised countries, the ludicrousness of the "scrounger" campaign at a time when employment was clearly not available to the bulk of those seeking it — these facts and the heat they generate are themes which, as the authors say, have been muted.

Although "The Workless State" attempts to give a feel for the experience of unemployed poverty, that is really the province of the second book, "What Unemployment Means." It is a kind of "Wigan Pier" with a filing system; a combination of a sharp eye, sharp pen and a sharp research assistant.

Endurance

Adrian Sinfield, Professor of Social Policy at Edinburgh University, remarks:

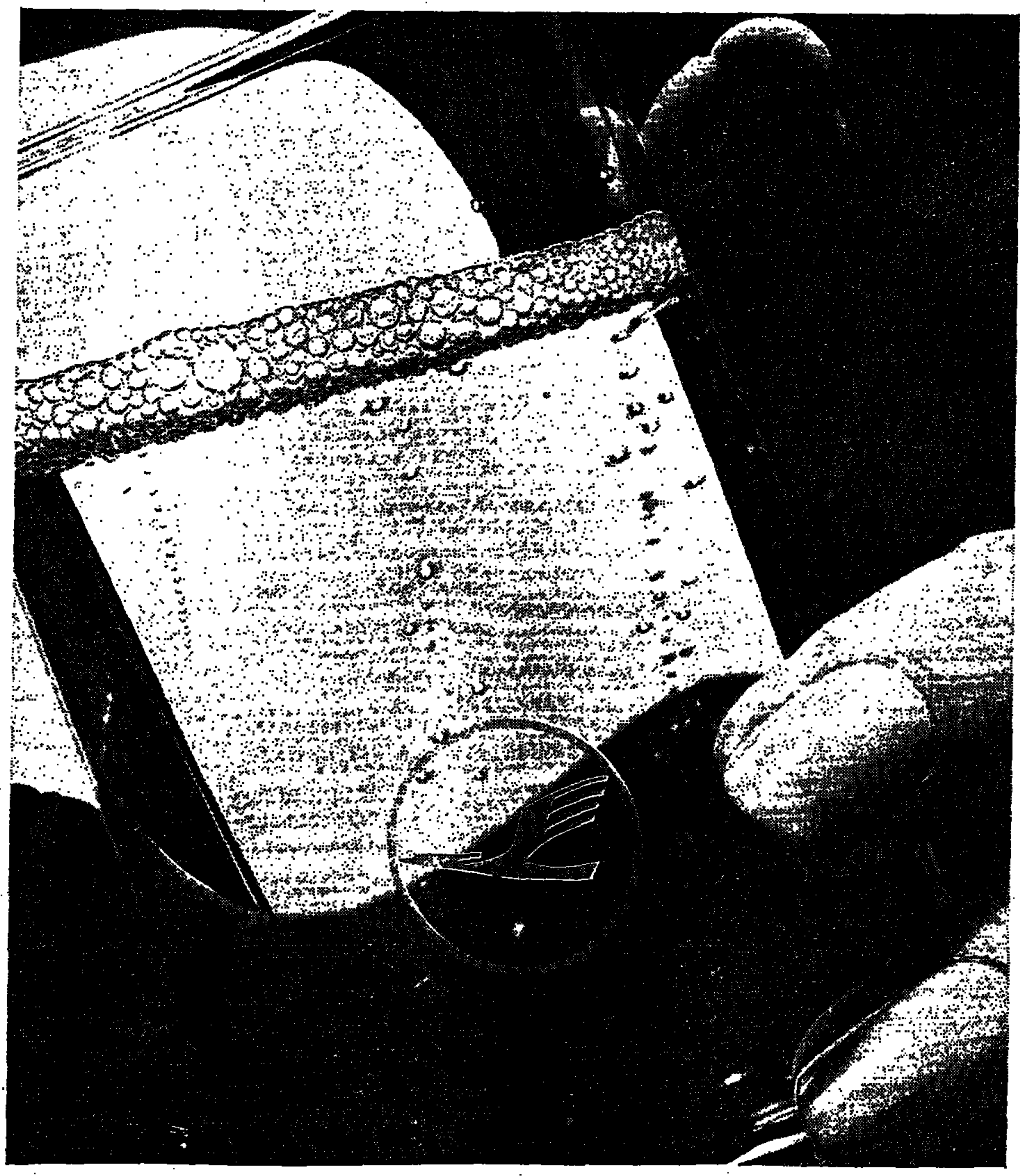
"Observing the pressures and strains that poverty and prolonged unemployment place on many families, my own research has made me much more conscious of the many ways the double impact wears them down and turns them in on themselves. The silent endurance of deprivation and rejection does not make headlines, and is astonishingly often dismissed as apathy or lack of will. Going without what most of society has come to expect is a daily burden."

It is, perhaps, inevitable that when we come to prescriptions we find a hesitancy, even a vagueness. "No matter how difficult it does seem that some reform of the system under which we settle pay will be required . . . some policy to arrest this tendency to de-industrialisation is essential. The strongest and most comprehensive policy would be one of general import controls." It might have been better to be silent on the matter, referring the reader to other works and other lines of policy.

The Workless State, edited by Brian Showler and Adrian Sinfield. Martin Robertson, 108 Cowley Road, Oxford OX4 1JF. £4.95 paperback; £15 hardback.

What Unemployment Means, by Adrian Sinfield. Martin Robertson. £2.75.

John Lloyd



LOMBARD

EEC runs up a blind alley

BY JOHN WYLES IN BRUSSELS

ONE OF the less remarked Eurofollies perpetrated by the EEC summit in Maastricht this week was to confirm an earlier decision to mount a new approach to the unemployment problem. This does not, I hasten to add, herald any important changes in policy. No, the new approach employs political theatre. It aims to convince the peoples of the Ten that their governments will spare no expense to be seen to be thinking hard about what to do about unemployment.

Inundation

Sometime between now and the end of June there is to be an inundation of Ministers here. The total may even reach 40, all to be crammed into one meeting room with instructions to think about unemployment and industrial regeneration. This will be the EEC jumbo council of all time, sitting economics ministers alongside ministers for industry, finance ministers next to social affairs.

This extraordinary assembly is the brainchild of Mr. Dries van Agt, the Dutch premier, and was embraced by his colleagues at the EEC summit last December. Pushed into a corner, Mr. van Agt would probably admit that his thoughts were more on the Dutch general election of May 26 than on the substance of any jumbo council. His calculation was that any activity at Community level in the spring of 1981 concerned with recession and unemployment would be no bad thing as far as his electorate was concerned.

But how cruel are the fates! Who now has primary responsibility as president of the Council of Ministers for organising this monster Council, for assembling its agenda, for preparing its conclusions? None other than the government of Mr. van Agt which assumed the EEC presidency a month after the Luxembourg summit and has been wallowing in regrets and second thoughts ever since.

The sense of unease was palpable at Maastricht this week but having nailed themselves to this cross, heads of government could not escape.

So they told each other that the "most thorough and careful preparation" would be needed for the Council. Which means that the buck, and the responsibility for failure and disillusion, is being passed to the poor old European Commission. Member governments have no ideas at all about what can be done for unemployment at the Community level which does not cost vast sums of money or require general economic inflation. Neither has the European Commission. *There is no Community policy for dealing with unemployment and no desire for one.*

No wonder Mr. van Agt and his colleagues are so worried about giving life to this jumbo. Political theatre is all very well but it does create expectations which, unfulfilled, give way to disillusion.

Neither does it need any more pious declarations of the kind that this jumbo is eminently suited to issue. The words already echo in the mind: "Fighting inflation must be first priority. . . . Ministers remain committed to tight monetary policies . . . . last year's 27 per cent rise in EEC unemployment very regretable . . . . but cyclical recovery starting in third quarter of this year should halt the rise in unemployment in many member states . . . . member states will co-ordinate their policies for dealing with youth unemployment . . . . every effort will be made to increase funds for EEC regional and social policies."

In reality, of course, the spotlight will be turned on a Community which has few clothes, at least as far as the unemployed are concerned or those facing unemployment. Opinion polls reveal that, with the exception of the UK and Denmark, there is still solid majority support for the Common Market. People generally believe that the political and economic advantages have been manifest.

But disappointment that the Community does not seem to work as well as it did is growing, not least among heads of government such as Chancellor Schmidt. This jumbo council risks demonstrating more clearly than ever before that, now that most of the requirements of the Treaty of Rome have been satisfied, the modern Community has lost its way and may be incapable of generating positive policies for the economic regeneration of Europe.

Putting on a brave face

BY PETER CARTWRIGHT

AROUND BRITAIN

BURSLEM

IN THE days when coal-fired bottle kilns dotted the skyline of the Potteries people liked to see the plumes of smoke from them, even though they made it blacker than the Black Country, for it meant work. Today electric and oil-fired tunnel kilns, plus the Clean Air Act have changed all that.

Outwardly Burslem seems much the same, still grey from smoke-grimed walls, but the terraced homes of the potters, miners and other workers are putting a brave face on things and give little hint of the misfortunes and heartaches behind the curtained windows.

Burslem, with about 40 potteries, has the second highest concentration of tableware and other factories in the Potteries and, more than most places, reflects the vicissitudes of the area. Perhaps the most fundamental change is in the composition of jobs.

Of the two traditional providers of employment, coal mining and pottery, the former has already contracted in terms of employment and pottery is most unlikely to emerge in the same shape after this, the deepest recession most people can remember.

"We have to achieve a major breakthrough in productivity if we are to prosper in highly competitive world markets and concentrate vital skills where they matter most" was how Mr. Richard Bailey, executive chairman of Royal Doulton Tableware put it. "We have to eliminate, as far as possible by automation, non-essential jobs like moving ware from one process to another — while retaining the essential skills and artistry that constitute the world credibility of the back stamp" (the stamp on the back of the ware).

Most of the job vacancies being notified are in the distribution and services field, and there is every indication that the growth in this sector will continue.

In the past 18 months alone the Ceramic and Allied Trades Union reckons it has lost getting on for 10,000 members, mainly women, and now has only 30,000 on its books. Although one or two potteries like Barratts of Staffordshire are on full time, it is with a labour force reduced by natural wastage or redundancy. Others have managed to cling to most of their labour force but are working short-time, perhaps only a couple of days a week in some sections.

The recession hit Burslem much later than the rest of industry, but when it did so it struck hard. Between January and December last year unemployment doubled to 3,062 and the percentage rate to 9.1. It is still edging upwards—10 per cent this month—and is expected to continue to do so. Pottery employers have shed labour fast, accounting for four in five of the total 1,738 redundancies in the Stoke area in the past 12 months.

As elsewhere, young people were hit hardest. Since the start of last year the number of school leavers without permanent jobs has increased from less than 1,000 to 1,200 and even this includes 433 in work experience. The number of unfilled vacancies has been sliding downwards.

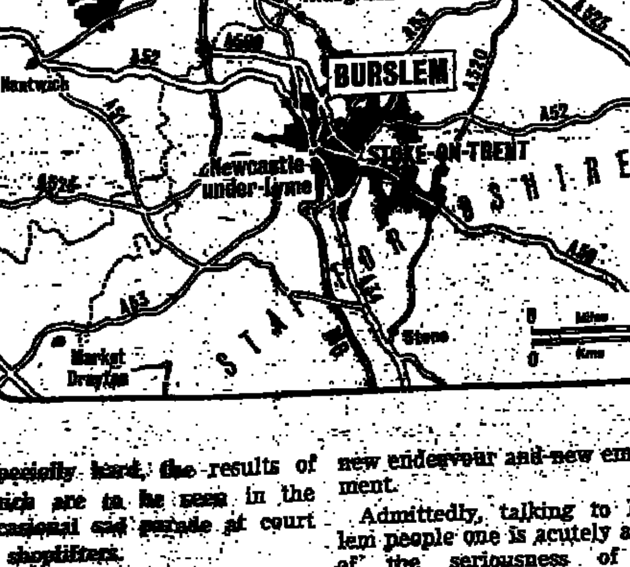
Burslem is not alone in its suffering. In the Stoke area as a whole the jobless figure increased from less than 10,000 to nearly 20,000 last year. It now stands at 23,790.

On the other hand the number of notified vacancies has started to plunge, from around 1,000 to 400 and the spring figure shows no underlying improvement.

Nevertheless, it would be unfair to read too much into these figures. There is an underlying strength and resilience in the industry and Potteries people. Of the 237,000 people working in the Stoke area 200,000 are unaffected by short time or redundancy and when, in September, 1978, British Steel finally closed Shelton Bar with 1,600 redundancies, it made no impact on unemployment. In November, in a four-week month, 4,240 found jobs.

In Burslem, as elsewhere, most of the vacancies are for part-time work, and the problem is to find jobs for young people. Half those out of work are under 25 and the proportion is increasing noticeably as employers seek out the more experienced and skilled. There are some 1,200 youngsters on work-experience courses; too many of the others are becoming well known visitors to Jobcentres. By July they will be joined by 7,000 school leavers of whom one in three, on present estimates, will be unable to find work of any kind.

Burslem, though, because of its heavy reliance on the pottery industry is feeling the brunt of the recession. It is often a man-and-wife employment scene, with members of the family and relatives involved, where 20 and 30 years is not an unusual length of service. So the recession has hit some families especially hard, the results of which are to be seen in the occasional sad parade at court of shoplifters.



In the circumstances it seems less than logical to cut the staff at the main Kidsgrove employment office from 126 to 94, mostly in the past year, and to reduce the throughput of the Hanley Skill Centre from 400 to 360, with the virtual elimination of clerical training. Advisory services now scarcely exist.

This sort of thing makes the work of Operation Task Force more difficult. This is the joint effort by Stoke Council and the unions in collaboration with Government and local organisations to relieve the hard-pressed local economy and to stimulate new endeavour and new employment.

Admittedly, talking to Burslem people one is acutely aware of the seriousness of the situation. But there is hardly any gloom, and spirits are lifted when news comes of a pottery being rescued—like the John Maddock pottery was the other day by a group of London businessmen—and a big tile company spending £8m on modernisation.

James II was extremely caustic about this tenaciously independent part of the country. "Staffordshire is fit only to be cut into thongs to make highways for the rest of the kingdom" he wrote. He was wrong then and even more wrong now.

Donegal Prince to outstay rivals

RACING

BY DOMINIC WIGAN

A HIGH proportion of those racing over a mile or more at Doncaster today are guaranteed on the score of fitness for they are race-fit from hurdling. With there having been over seven inches of rain in South Yorkshire already this month (making it the wettest March this century) the anticipated edge in fitness of those runners from hurdling over the remainder without a recent outing could prove decisive.

In the afternoon's most valuable race, the £10,000 Doncaster *Town Plate, seven of the 11* runners have been jumping this year, including Hans Brinker and Donegal Prince. The first-named, a six-year-old in the care of Guy Harwood, has been lightly raced in the past couple of seasons and judged on his recent effort in the mud at Windsor he is capable of picking up a staying handicap.

Donegal Prince, for whom Paul Kelleway has secured Carson's services, confirmed his wellbeing with a comfortable success at Ascot recently. There the Newmarket challenger proved too sharp for 25 opponents in the two and a half mile Kilfane Handicap Hurdle.

An attractive bay, son of Prince de Galles, Donegal Prince, the short head victim of Sea Pigeon in last year's Tote Ebor, is narrowly preferred to his Sussex rival.

Half an hour after the Town Plate the Crown Plus Two Apprentice Championship gets under way with the first round of a series which culminate at York in October with a £7,000 event. This afternoon Hang-On Elvis, the mount of Frankie Durr's highly-rated apprentice, M. Fozzard, and the Rimmer-ridden Delta Digger are the two I like best. Delta Digger is the selection.

The Flat campaign got off to a bright start in spring sunshine yesterday with Hollywood Party prevailing in the hands of Steve Cauthen in the Brocklesby.

DONCASTER

2.00—Lady Wimpy**
2.35—Panavise
3.05—Donegal Prince*
3.35—Delta Digger***
4.05—El Pato
4.35—Winter Wind

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.05 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 How Do You Do? 2.02 For Schools, Colleges. 3.25 Trem: The Parc Stradivarius. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Heyyy, It's the King. 4.25 Jackanory. 4.40 Finders Keepers. 5.05 Breakthrough. 5.35 Fred Basset.

5.40 News.
5.55 Regional News Magazines, Nationwide.
6.20 Nationwide, including 6.45 Sportswide.
7.00 A Question of Sport.
7.30 Coming Home.
8.00 Barry Manilow.
8.50 Points of View.
9.00 News.
9.25 Starsky and Hutch.
10.15 The Time of My Life (London and South-East).
10.45 News Headlines.
†10.50 The Late Film: "Old Acquaintance," starring Bette Davis.

All Regions as BBC 1 except as follows:—

Cymru/Wales—1.45 pm O Dan Y Mor. 2.02-2.22 I Ysgolion: Hwnt Ac Yma. 4.45 Florida. 5.15-5.40 Breakthrough. 5.55-6.20 Wales Today. 7.00 Heddiw. 7.30 Trem: Y Mynach Anghyffredin. 7.55 Pride of Place. 8.25-8.50 Triangle. 10.15 Week In Week Out. 11.05 News for Wales. †11.06-12.50 am The Late Film: "The Woman In White," starring Alexis Smith.

Scotland—11.00-11.20 am For Schools. 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 10.15 Frankie Miller in Concert. 10.45-10.50 News for Scotland, National News.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 10.15 Spotlight. 10.45-10.50 News for Northern Ireland, National News. 12.40 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North-West (Manchester); Midlands Today (Birmingham); Nationwide (London and South-East); Points West (Bristol); South Today (Southampton); Spotlight South-West (Plymouth). 10.15-10.45 East (Norwich) Weekend; Midlands (Birmingham) Day Out; North (Leeds) Troll Wall: The Vertical Mile: North-East (Newcastle) Coast to Coast: North-West (Manchester) Unlucky For Some; South (Southampton) The New Foresters: South-West *(Plymouth) Towards 2000;* West (Bristol) Public Life.

BBC 2

6.40-7.55 am Open University.
11.00 Play School (as BBC 1 3.55 pm).
4.50 pm Open University.
6.55 Monkey.
7.40 Mid-evening News.
7.55 Gardeners' World.
8.25 Spain's Royal Democracy.
9.00 Call My Bluff.
9.30 Playhouse.
10.00 Bartok Centenary.
10.40 Cartoon Two.
10.45 Newsnight.
11.30 Badminton: The John Player All England Championships.
11.55 Friday Night . . . Saturday Morning.

BBC 2 Scotland only—10.30-11.00 am. 11.25-12.38 pm and 2.00-4.30 Scottish Liberal Party annual conference.

LONDON

9.30 am Schools Programmes. 12.00 The Magic Ball. 12.10 pm Once Upon a Time. 12.30 The Television Programme. 1.00 News. 1.20 Thames News. 1.30 Together. 2.00 After Noon Plus. 2.25 Racing from Doncaster. 3.45 Wild, Wild World of Animals. 4.15 Dr. Snuggles. 4.20 The Adventures of Black Beauty. 4.45 The Extraordinary People Show. 5.15 Clapperboard.

5.45 News.
6.00 Thames News.
6.30 Thames Sport.
7.00 Family Fortunes.
7.30 Vegas.
8.30 Holding the Fort.
9.00 My Father's House.
10.00 News.
10.30 Benson.
11.00 The London Programme: The Great Greyhound Betting Coup.
11.35 The Electric Theatre Show.
12.05 am Stars on Ice.
12.30 Close: Personal Choice with Sir Geoffrey Jackson.

All IBA Regions as London except at the following times:—

ANGLIA

1.20 pm Anglia News. 2.00 Houseparty. 3.45 The Entertainers. 6.00 About Anglia 10.30 Seven Days. 11.00 Soap. 11.30 Friday Late Film: "With A Song In My Heart," starring Susan Hayward. 1.35 am Your Choice.

ATV

1.20 pm ATV News 3.45 In Search of . . . Garden of Eden. 6.00 ATV Today. 10.30 Soap. 11.00 ATV News. 11.05 Peter Cushing, Master of Terror, in "Night Of The Big Heat."

BORDER

1.20 pm Border News. 3.45 Untamed World. 6.00 Lookaround Friday. 6.30 Out of Town. 10.30 Golf: U.S. v. The World. 11.25 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 3.45 Jewellery Through 7,000 Years. 6.00 Channel Report. 6.30 Ladies First. 6.55 What's On Where. 7.30 The Incredible Hulk. 10.28 Channel Late News. 10.36 Soap 11.05 Brown Study. 11.35 Friends of Man. 12.00 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 3.45 Stars on Ice. 6.00 North Tonight, including Sportscall. 7.30 Charlie's Angels 10.30 Police Story. 12.10 am Seachd Laithean: News and film reports from Scotland, presented in Gaelic. 12.25 North Headlines, Road Report and Area Weather Forecast.

GRANADA

1.20 pm Granada Reports. 2.00 Live From Two. 3.45 Survival. 6.00 Granada Reports. 6.30 Kick Off. 10.30 A Week on Friday. 11.00 After All That, This. 11.10 Film of the Book: Wayne Mauder in "The Seven Minutes."

HTV

1.20 pm HTV News. 2.00 Houseparty. 3.45 The Practice. 6.00 Report West. 6.30 Welcome Back Kotter. 7.30 Chips. 10.28 HTV News. 10.35 Report Extra. 11.05 Soap. 11.35 Camera.

HTV Cymru/Wales—As HTV West except: 9.35-9.50 am Am Gymru. 12.00-12.10 pm Ffalabalam. 4.15-4.45 Hela'r Morfil. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.35-11.05 Outlook.

SCOTTISH

1.20 pm News and Road and Weather. 3.45 Fangface. 6.00 Scotland Today. 6.25 Sports Extra. 6.45 Hear Here. 7.30 The Incredible Hulk. 10.30 Ways and Means. 11.00 Late Call. 11.05 Movies Through Midnight: "A Nice Girl Like Me," starring Barbara Ferris.

SOUTHERN

1.20 pm Southern News. 2.00 Houseparty. 3.45 Superstar Profile. 5.15 Mr. and Mrs. 6.00 Day By Day. 6.00 Scene South-East (South-East Area only). 6.30 Survival. 7.30 Charlie's Angels. 10.35 Harry Strutters Hot Rhythm Orchestra. 11.05 Soap. 11.35 The Late, Late Premiere: "Morgiana."

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 1.20 pm North-East News and Lookaround. 6.00 North-East News. 6.02 Sportstime. 6.30 Northern Life. 10.30 North-East News. 10.32 "Bullitt," starring Steve McQueen. 12.30 am Countryside Christian.

ULSTER

1.20 pm Lunchtime. 2.45 Friday Matinee. 4.13 Ulster News. 4.45 Survival. 6.00 Good Evening Ulster. 10.29 Ulster Weather 10.30 Witness. 10.35 Sportscast. 11.05 Benson. 11.35 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays 1.20 Westward News Headlines. 3.45 Jewellery Through 7,000 Years. 6.00 Westward Diary. 7.30 The Incredible Hulk. 10.32 Westward Late News. 11.38 Soap. 11.05 Quincy 12.00 Faith For Life. 12.05 am West Country Weather, Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 3.45 The Entertainers. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Calendar Sport. 7.30 Hawaii Five-O. 10.30 Soap. 11.00 Pro-Celebrity Snooker. 11.45 Lou Grant.

(S) Stereophonic broadcast.
‡ Medium Wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis 4.30 Peter Powell. 5.30 Newsbeat. 5.45 Roundtable. 7.30 Anne Nightingale 10.00-12.00 The Friday Rock Show (S).

RADIO 2

5.00 am Bob Kilbey (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 David Hamilton (S). 2.00 pm Ed Stewart's Request Show (S). 4.00 Much More Music with David Symonds (S). 6.00 Steve Jones (S) 8.00 Sequence Time at the Radio 2 Ballroom (S). 8.45 Friday Night is Music Night (S). 9.55 Sports Desk. 10.00 Castle's On The Air. 10.30 The Organist Entertains. 11.00 Brian Matthew with Round Midnight, including 12.00 News. 2.00-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Bartok (S). 10.00 English Chamber Orchestra (S). 10.50 Kodaly and Britten choral recital (S). 11.25 Warsaw Piano Quintet (S). 12.00 Concert in Sheffield, part 1 (S). 1.00 [illegible]ws. 1.05 Concert, part 2 (S). 1.50 [illegible] by Elgar (S). 2.25 Test Match Special: Fourth Test, West Indies v. England 4.35 Itzhak Perlman Plays Bach (S). 4.55 News. 5.00 Mainly For Pleasure (S) 6.55 Play It Again (S). 7.00 Wolf songs (S). 7.15 One Pair of Ears. 7.30 Bartok violin, clarinet and piano recital, part 1 (S). 8.20 The Living Poet. 8.40 Bartok recital, part 2 (S). 9.30 News of the Engagement. 9.45 Music In Our Time (S). 11.00 News. 11.05 Bach (S). 11.15-11.30 Test Match Special.

VHF—With Medium Wave except as follows: 5.55-6.55 am Open University. 2.25 pm Beaux Arts Trio (S). 3.55-4.35 Guitar and harpsichord recital (S). 11.15-12.55 am Open University.

RADIO 4

6.00 am News Briefing 6.10 Farming Today. 6.25 Shipping Forecast 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News: 7.30, 8.30 News Headlines: 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Desert Island Discs (S). 9.45 Feedback. 10.00 News. 10.02 International Assignment. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Man's Best Friends. 11.50 Natural Selection. 12.00 News. 12.02 pm You and Yours. 12.27 My Music (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.05 Weigh-in. 4.15 Folktales. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News. 6.30 Going Places. 7.00 News. 7.05 The Archers. 7.20 Pick of the Week (S). 8.10 Profile. 8.30 Any Questions? 9.15 Letter From America by Alistair Cooke. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.35 Week Ending (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 11.45 John Ebdon looks through the BBC Sound Archives. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Programme. 12.30 pm London News Desk. 12.40 The Tony Fish Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music on the Move. 6.33 This Week. 7.03 Black Londoners 8.00 Jazz Week. 10.00-5.00 am Join Radio 2.

London Broadcasting

5.00 am AM—Douglas Moffitt and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Nightline. 12.00 LBC Reports Midnight. 12.30 am Decision Makers. 1.00 Night Extra. 4.00 London Rules. 4.30 City Week. 5.00 Morning Music.

Capital Radio

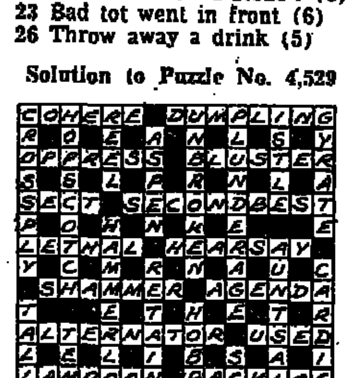
5.30 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Nicky Horne. 1.00 First Report. 1.10 Nicky Horne (continued). 3.00 Roger Scott. 7.00 London Tonight. 9.00 Peter Young. 11.00 Greg Edwards. 12.00 Richard Allinson.

F.T. CROSSWORD PUZZLE No. 4,530

ACROSS
1 Free ball in clearance (8)
5 Long drink for a horse (6)
9 Guy used as canvas supporter (4-4)
10 Paint title in Spanish article (6)
12 Deal with foreign currency and sign of manufacturer (9)
13 Fur initially bought in auction (5)
14 Nips back for a short trip (4)
16 Senseless talk making team-leader walk like a duck (7)
19 Wave right inside a glass vessel (7)
21 Late transport that is within railways (4)
24 Propose to sell an essay (5)
25 Small horse left in magnificent pasture (9)
27 Remove from the land to pour about (6)
28 Member of a race—a grand race? (8)
29 Word announcing a discovery in Greece (6)
30 Got off a delicate edition (8)

DOWN
1 Rubbish consumed in turn (6)
2 Business transaction about book concerned with the teeth (6)
3 Concur with soldiers in time (5)
4 Possibly I can tap the skipper (7)
6 Passes fish as an introductory gesture (9)
7 Person of importance with considerable strength (8)
8 Content to be released from duty (8)
11 Humorous sketch of equipment under pole (4)
15 Game to operate burning a design in wood (5-4)
17 Certain, positive and peremptory (8)
18 Sailor to render insensible about the price of passage (8)
20 Storm madness (4)
21 Noisy quarrel about notice could be a bit of a bore (7)
22 Fish to catch—a stone? (6)
23 Bad tot went in front (6)
26 Throw away a drink (5)

Solution to Puzzle No. 4,529



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ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

FINANCIAL TIMES

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INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

Cinema

More honoured in the breach . . .

by NIGEL ANDREWS

Sphinx (AA) Warner West End.
Stir Crazy (AA) Columbia.
No Nukes (A) Screen on the Green, Studio Oxford Street, Odeons Kensington and Hammersmith

Is there a cure for film awards? Watching the three-hour BAFTA bacchanal unfold last Sunday and grimly clenching one's seat in anticipation of the Hollywood Oscars next Monday, one wonders how these prodigious sequin-clad displays of mutual admiration, surging emotion and spontaneous effusions of highly-crafted humility have survived so long and still show no signs of flagging.

"Best Fascist Dictator: Adolf Hitler" Woody Allen memorably cracked in *Annie Hall* while improvising on the theme of awards and bringing his wit to bruise on the congenital daftness of an *institution*. Yet awards nights are clearly an addiction to the movie trade, and to many people outside it as well: a once-a-year splurge of gaudy and almost entirely logic-less euphoria in which accolades for which there are no clearly defined criteria — "best" is perhaps the vaguest world in the English language — are handed out to grateful recipients who then feel it incumbent upon themselves to disclaim most of the credit. ("I could never have done it without the help of . . .")

One sometimes wishes that this honourable self-denial could be more often *applied* to the opposite end of the spectrum. Some years ago Natalie Wood won the Harvard Lampoon Award for Worst Actress of the Year. Not only did the plucky star actually turn up to receive the prize but she began her speech with the immemorial and in this instance inspirational formula: "I could never have won this award without the help of my producer, my director . . ."

The charisma of awards nights — and in the teeth of inanity they stubbornly retain an awful magnetism — is that they are in part breathtaking displays of style without substance, in part gladiatorial fights in dinner-jackets and evening-gowns. When the gold envelopes tear and the camera holds those nail-biting shots of the nominees in a five-card hand of close-ups, whom do you look at when the winner's name is called? A brief glance at the victor, perhaps, but then the eyes scour the losers. How quickly will the camouflage of a smile and a burst of hand-clapping be thrown up over disappointment? The stoicism of Sparta rules in Hollywood and Grosvenor House alike, and some of the best and bravest performances of the year take place out in the auditorium on awards night.

Yet what are these performances in aid of? Showbiz award-sprees have long offered a field-day to parody-makers (Monty Python's sketch still lingers in the memory, with an oleaginous and onion-teared Eric Idle announcing, "Sadly David Niven could not be with us tonight. But he *has* sent his refrigerator."), and the reason for that is that they represent a skyscraper of ceremonialism built atop the flimsiest of foundations—sometimes, one suspects, even a hole in the ground.

The public can proclaim a movie *a success* by paying money to see it. The critic can declare a movie successful by an avowedly personal—though hopefully well-argued—championing of its merits. But the *ex cathedra* judgments of an awards committee have no corroborating market value and no disclaimer of a purely individual opinion. It is an arbitrary voting spree by an arbitrary body of ladies and gentlemen connected (some more dimly than others) with the film industry.

As in any voting process in which the number of options is vast, homogeneity tends to set in early, extreme enthusiasms go to the wall, and the prize finally falls to a "common ground" favourite that started *out as most* people's second or third choice rather than first. I will eat my hat—or any hat of your own choosing—if that offbeat wonder-movie *The Stunt Man*, long ostracised by Hollywood itself, wins the Best Director award for Richard Rush on Monday's Oscar night, in which category it is nominated.

Can the Gadarene process be halted? Or re-routed? Shouldn't we step back just for a moment from the engulfing, honorific splendours of Movie Award Nights and wonder how those honours can be made more coherent, that splendour given a little more substance? As Oscar night approaches, now is the time for all good cinephiles to ponder. Constructive suggestions, please, on a stamped addressed gold envelope and hats, sent ready-seasoned care of the Financial Times.

Once an event starts off on a shaky premise the Law of Snowballing Absurdism quickly sets in.

Richard Pryor and Gene Wilder in Stir Crazy

★

To *Sphinx* I hereby award the 1981 Plastic Scarab Prize for Egyptian toshery beyond the call of duty. Lesley-Anne Down, with cropped russet hair and a variety of track-suits, and acting with the mimetic equivalent of painting-by-numbers, portrays our Egyptological heroine, who stumbles upon a vicious black-market trade in ancient Egyptian treasures. She is appalled—as who would not be—by the decapitation of Sir John Gielgud as an Arab antiquarian; she is baffled by the part played in the proceedings by *a male* French journalist called Yvonne (Maurice Ronet); and in the thick of falling masonry and crumbling cartouches at the movie's climax she still has time to make elaborate getaway plans with handsome Director of Antiquities Frank Langella ("My mother and father have a little place in Devon . . .").

It is hard to say whether Franklin Schaffner, once associated with more august entertainments like *The War Lord* and *Patton*, directed this film with his tongue in his cheek or his foot in his mouth. Perhaps, and athletically, both. There's a carefree despair about the whole enterprise which suggests that the makers, once realising that the plot had little or no suspense or plausibility, piled on the incidental merriment. Though the journey itself may be pointless, they seem to say, you can at least enjoy the passing scenery. And to a degree you can; with Nile temples, many-coloured tombs, white stallions charging through the night, and the brave shining slivers of silent-film semaphore in Miss Down's acting.

★

Stir Crazy would be greatly improved by the presence of Lesley-Anne Down, or even of a headless Sir John Gielgud. Gene Wilder and Richard Pryor play the East Coast innocents-abroad who are wrongly arrested on a bank-robbing charge in California. Off to prison they go, where the hard labour lies in trying to coax some comedy from a roster of stereotype knockabout inmates and from the duo's own climactic attempts to use a prison Rodeo Contest as the cover for an escape bid.

Richard Pryor, who the Press hand-out assures us is an actor with "knowing *weltschmerz*," seems to have lost it here, and Gene Wilder's legendary gnome-in-shock features are entirely wasted after a few early, funny displays of splenetic speechlessness. Bruce Jay Friedman wrote the sad farrago, Sidney Poitier directed it.

★

No Nukes is 103 minutes of Rock Music for Social Improvement: concert footage from the rock jamborees lately staged in New York by an anti-nuclear nucleus of performing talent that included James Taylor, Jackson Browne, Bonnie Raitt, Bruce Springsteen and Crosby, Stills and Nash.

There's a sort of movie-style "pull-out centrefold" in the middle of the proceedings, when the rock footage suddenly stops to unreel a film-within-a-film about the evils of nuclear energy. But soon that is whisked away and we dip back to James Taylor crooning in the world's baggiest pair of faded jeans, Graham Nash playing with his little son in the dressing-room before going on to sing "Our House," and Bruce Springsteen howling and throbbing up on stage as fans shriek and intimacy all but takes place between him and the microphone.

Springsteen is, in *fact*, the one who finally steals the show: chiefly because he's the only performer who seems to have forgotten that he's supposed to be up there singing songs with a message. "BR-u-ce! BR-U-CE!!" scream the fans as this inspiring and perspiring dynamo lopes onto the stage and starts to give high-voltage vent. ("What would've happened if he'd been christened Melvin?" comments someone in the dressing-room). Meanwhile the rest of the singers a ndthe rest of the movie pass out pinches of propaganda with the plagent lyrics, and there's a sense of pedagogic pills being hetavily sugared as this long, gaudy, good-for-you entertainment rolls on.

Leeds/Nottingham

Oedipus/Ariadne

by ARTHUR JACOBS

The distance between lean, athletic Stravinsky and fat, flabby Strauss is currently the distance between Leeds and Nottingham. The contrast between the operas is emphasised by the productions themselves. From the English National Opera North comes a superbly direct and powerful performance of *Oedipus Rex*, while the London-based English National Opera (in temporary occupation of the Theatre Royal, Nottingham) makes a misconceived approach to *Ariadne on Naxos*, which exposes the long-winded self-indulgence of the score.

Strauss and his librettist Hofmannsthal imagined an 18th century Viennese nobleman whimsically ordering a simultaneous performance of an *opera seria* and a harlequinade. The present producer, Jeremy James Taylor, puts the whole into a vaguely Victorian setting (to judge by the male attire) when neither the musical happenings nor the social conventions would have made sense. The grand staircase of the nobleman's mansion was enveloped in what looked like the dust-sheets of a firm of removers. Alas, the metaphor is only too appropriate, for the whole show needs to be uncovered, re-arranged, and cleaned up. Except for the amusing self-propelled boat, there is a lack of elegance and fantasy, and the audience leaves with grumbles about the unintelligibility of the English words.

Hilary Western, deputising for the indisposed Angela Bostock in the role of Ariadne, was disappointingly tense in the Prologue but showed to greater advantage later, with some fine delivery in the lower register of the voice, yet still seemed to have the role in bud rather than in flower. She was unattractively made up, with white face and too high a hair-line. Her Bacchus was Kenneth Woollam, who did creditably with the most boring and static tenor role in the opera, Wagner's *Lohengrin* not excepted. As the (male) Composer, a role which now comes across with unfortunate lesbian overtones, Sally Burgess had the right appealing manner but found the higher notes awkward. The brightest of the principal parts was provided by the nimbly moving, nimbly singing Marilyn Hill Smith as Zerbinetta, and Shelagh Squire's Dryad was conspicuously good among the supporting roles. A sturdy rather than sparkling account of the score came from James Lockhart's conducting.

Of *Oedipus Rex* at the Grand Theatre, Leeds, I will simply say that it is the most compelling of many stagings I have seen. Sticking more closely than is usual to the monumental, non-realistic conception of the drama which is laid down in the instruction and diagrams of Stravinsky's score, Patrick Libby (producer) and Stefanos Lazaridis (designer) have staged the work as a static tableau in which masks, dramatic lighting and movement by machinery (the actors entering horizontally or vertically) are combined with unified effect. A grid of boxes, which inevitably evoke a reminiscence of David Hockney's staging at Glyndebourne of the Bedlam scene in *The Rake's Progress*, forms a frame which displays not only the principal characters and the people of Thebes, but also the Narrator (Barry Stanton) — who, in antique costume like the rest, remains within the tableau yet preserves his separation.

The role of Jocasta provides yet another manifestation of Josephine Veasey's exceptional artistic powers, and not only in her fine singing of the part, with unforced low notes. Having no range of conventional movement within this production she yet conveys the realisation of Jocasta's feelings as the situation changes — quavering with an agitation like that of a bird's wings, when Oedipus tells of the killing and later opening her mouth in silent horror at the climax of the Shepherd's narrative. Robert Ferguson is a strong-voiced Oedipus, though with too wide a vibrato to make the florid passages as telling as they should be. Hugh Nigel Sheehan in the double role of Creon and the Messenger, John Tranter as Tiresias, and Justin Lavendar as the Shepherd make up an admirable cast, and the lively tone of both the orchestra and the chorus reflect the skilled guidance of the company's musical director David *Lloyd-Jones*.

The baton was taken over by Clive Timms for the work with which Stravinsky's forms a double bill—Poulenc's satirical *Les Mamelles de Tirésias* — bashfully announced under the French title, but sung in English with full relish of the jokes about breasts and babies. This sees a revival of John Copley's production it is not quite so smartly put over or so well sung as before, but makes an agreeable diversion all the same. Adrian Clarke (theatre director), Kate Flowers (Therese) and Stuart Harling are in the leading roles. Mr. Harling looked apologetic when he tripped in speech over "idiotic economists" but they have tripped many of us.

Cash crisis over Royal Opera visit

The four week season by the Royal Opera House, Covent Garden, at the Palace Theatre, Manchester, in May is in jeopardy following an unexpected cash crisis. The Greater Manchester Council has refused to increase its grant for the season from £5,000 to the £30,000 approved by its Policy Committee. Unless the £25,000 gap can be bridged within the next day or so the visit—the first in the regions by the Royal Opera for 17 years—is likely to be cancelled.

The Arts Council, which is putting £200,000 from its touring fund into the event, says that "cancellation would be a catastrophe." The Palace has only just reopened after being closed for three years for a £3m modernisation programme. If the Greater Manchester Council fails to come up with more cash future visits to the city—one is planned for the Royal Ballet—will also become doubtful. Sir Roy Shaw, director general of the Arts Council, said yesterday: "We are on the brink but I very much hope the season will be saved."

Perhaps an industrial sponsor will step in and solve the problem but the Arts Council is adamant that it will not produce additional money. The board of the Palace Theatre, of which Sir John Tooley, director of Covent Garden, is a member, is meeting today and will probably decide whether to continue with what promised to be the most important artistic event in Manchester for many years.

At the other extreme the Arts Council announced yesterday that its grant for the Notting Hill Carnival this August would be £20,000, the same as last year, which would be distributed among the bands. The organising committee, which got £2,000 last year, is receiving nothing.

Collegiate

Gli Orazi e i Curiazi

by RONALD CRICHTON

Even Camden Festival can seldom have gone further off the beaten operatic path than they did on Wednesday, when Opera Rara presented the first of three performances of Cimarosa's opera seria *Gli Orazi e i Curiazi*. Rare indeed — but Cimarosa, now cut down to *Il Matrimonio segreto* and virtually nothing else, was in his day and for half a century after a revered master, for church and instrumental music and serious operas as well as comic ones.

Gli Orazi, based on Corneille's tragedy *Horace*, was a late work, given at Venice in 1796. Though it was popular here early in the 19th century, when Braham (transposing down the castrato role of Curiazio), Grassini, Catalani and Mrs. Billington sang in it, the last recorded British performance was in 184. The Opera Rara revival was worth doing; one hardly sees *Gli Orazi* regaining a place in the repertory, but there are many points of interest, many scene still musically alive, and a number of arias worth pinching fo recitals.

The style is euphonious, often stately, sometimes playful and one or twice tripping in a way tiat doesn't quite harm the general solemnity. A weak brew, more or less, of Mozart's *La Clemenza di Tito*, without the driving force and concision, among other things. The love-and-duty imbroglio is close and occasionally confusing. Rome and Alba are at war. The Alban Curiazio is betrothed to the Roman Orazia. Her brother Marco Orazio is married to Curiazio's sister, Sabina. Patriotism cuts across those knots and across the deep friendship of Curiazio and Marco. There is no happy end, no clemency. After a long scene or sequence of scenes in which Orazia, crazed with grief for Curiazio's death, curses Rome and her brother Marco, he slays her.

That extraordinary finale is almost impossible to make work today. Cimarosa could not hold the tragic note, and his accompanied recitatives (It is there one notices most acutely the gulf between him and Mozart or Haydn) are dull stuff. But elsewhere, as in the fine opening phrases of the first act duet for Curiazio and Marco, there is real and surprising grandeur. The orchestral writing is fluent, with prominent clarinet parts.

Curiazio, the castrato role, is finely taken at Camden by the young mezzo Diana Montague, familiar in small parts but not so far ahead at anything like such lengths and to such advantage — excellently steady tone over a big range and a winning, natural presence. Orazia's role, perhaps the more demanding, is gracefully and often touchingly sung by Nan Christie, who has come a long way since her Scottish soubrette days. For her occasional excess of kittenishness, one imagines Stephen Lawless, the producer, is to blame. Anne Weller deputised bravely for the indisposed Sandra Dugdale as Sabina. That inflexible Roman worthy was soundly sung by Kenneth Bowen. Paul Hudson had his moment as the High Priest.

The set by Steven Gregory consists of a wooden rostrum, stairs and a large head of Apollo, well suited to the great amount of movement the small cast and chorus are required to do. For some reason the stage cloth is covered with sand which at moments of extra fraughtness the soloists trickle through their fingers.

David Parry conducts the English Symphony Orchestra with a nice balance between the suave and the ceremonious aspects of the music. The off-stage chorus was not always safely synchronised on Wednesday. Two more performances, tonight and tomorrow. Worth seeing for more reasons than pure curiosity.

Festival Hall

Bartok centenary concerts

by MAX LOPPERT

Wednesday marked the exact date of Bartok's birth, 100 years ago; naturally enough, the South Bank concert halls devoted themselves to his music. In the Festival Hall the BBC Symphony Orchestra gave a programme (broadcast on Radio 3) substantially different from the one originally announced.

Bartok, whose career as a composer was a catalogue of frustrations, disappointments, and slights (such as the cancellation of the Budapest premiere of *The Miraculous Mandarin*, intended to mark his 50th birthday), would have borne stoically — might it not even have drawn from him a faint, wry smile? — the disturbance to the planning of the first half. This was occasioned by the orchestra's recent bout of inoculation prior to its forthcoming Far East tour; evidently several members responded badly to the vaccine, and rehearsal schedules were disturbed. (Strange that this possibility was not even contemplated beforehand!)

This meant that the *Cantata profana*, for chorus, male soloists, and orchestra, was forced to give way—sore loss!—to the string-orchestra Divertimento, and the Kodaly's orchestration of the Five Songs, op. 15, was replaced by an account of the original, soprano-and-piano score. The complete *Wooden Prince* performance remained as planned; but, in view of the disruption, one should perhaps deal leniently with its considerably less than masterly playing last night.

To sense Rozhdestvensky in imperfect control of a large orchestral apparatus, full of late Romantic elaborations and fascinations, was a rare and wholly un-welcome sensation—ragged and wrong entries abounded, ensemble was precarious, string tone was apt to go thin and straggly, and in the highlights of the score—the Dance of the Waves and the Doll's Dance—Bartok's precisely graded rhythmic schemes, his ordered flexibility of pace, went for very little.

The Divertimento went better, though not always with absolute crispness; of Bartok's popular "final period" works, it is, I find, the one that has worn least well. The Five Songs, on the other hand, are unfamiliar — pungent, intensely emotional, highly concentrated utterances from that fascinating pre-*Bluebeard's Castle* period of Debussy and folk song exploration. The performance, surprisingly, came off very well in the large hall—a fine performance too, by Sylvia Sass and Roger Vignoles, clear, poetic, and carefully balanced.

Northcott, Exeter

King Lear

The new Artistic Director of the Northcott Theatre is Stewart Trotter. He could scarcely be accused of faint-heartedness in opening up his regime with this play, but that will not deter us from accusing him of all sorts of other things. It never ceases to amaze me that directors fling on *King Lear* with actors under-equipped for the title role. Richard Mayes is a solid performer, an ideal Kent or perhaps even Gloucester. His Lear is a jovial, long-haired uncle figure with a good growl for the quieter passages and a monotonous rant for the speeches of towering rage and passion.

The division of the kingdom is done almost as a party game, an effect not diminished by the spangled costumes of the court, which look like a fancy dress collection just back from Sketchley's. All those flimsy, spotless ruffs and collars underline the unreality of Tim Reed's design: two matching sets of the universal constellation suspended either side of a fire-breathing dragon.

Once the storm starts up, this is replaced by an arrangement of white curtains with a large chalky centre piece that crashes excitingly to the floor for Lear's final entrance with the dead Cordelia. But otherwise there is a fatal indecisiveness of stage movement and little sense of specific location. Mark Hamlyn's music, played offstage on trumpet, trombone and percussion, is aggressively effective, but no compensation for the lack of horror and sublime poetry in the production. The Dover scenes, for instance, are particularly dull, Philip Bloomfield's athletic but unimaginative Poor Tom failing to strike any sort of resonance with his blind father.

There are little individual pockets of enterprise. Patti Love never stops working as Regan, writhing in the grip of a sexual blood lust in the blinding scene and hitting off an oily collaboration with Nigel Leach's camp Oswald. Katie Flower disappears rather as Goneril, and Meg Davies, an older Cordelia than usual, is as strangely good-humoured as her father.

Phil Daniels as the Fool is a sly street jester with a coxcomb. His prophecy speech is done in pointedly full light not, I hope, just because Mr. Trotter agrees with Edward Bond's fatuous assertion that this is the only "relevant" speech in the play. But at least Mr. Daniels, along with Brian Deacon's nicely judged Edmund, makes audience contact.

MICHAEL COVENEY

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The mould can be broken

THE LAUNCHING of the Social Democrat Party yesterday marks a fundamental break in the pattern of British politics as it has been known for at least a generation. Although it is far too early to make predictions, it is possible that the next general election will be a genuine three-horse races with incalculable results. It is not entirely inconceivable that the new party, in alliance with the Liberals, could win outright.

Market economy

From now onwards, the two big parties will be constantly looking over their shoulders at what the Social Democrats are saying and doing. In our view, this is a thoroughly healthy development. The Social Democrats have denied that they are a "centre party," whatever that term may be taken to mean. But there can be no doubt that they are in the mainstream of British politics. A Cabinet which included Mr. Jenkins, Dr. Owen, Mr. Rodgers, Mrs. Williams and Mr. Steel would be at least as good as any other on offer. Between them they have the qualities of experience, youth, ability, confidence, ambition and hope.

There is another reason why the formation of the new party should be welcomed. Almost nothing that the Social Democrats have said so far indicates a departure from the radical mood of the electorate which helped bring Mrs. Thatcher to power in 1979. There was an awareness then, and is now, of the need to break with the habits of the past. As the late Mr. Crosland once put it: "The party's over." There is a revolt against unaffordable public expenditure, against seemingly endless subsidies to the nationalised industries and against large concentrations of power—whether in central government, the town halls or the trades unions.

Mrs. Thatcher's promise in opposition may have surpassed her performance in office to date, but there is no reason to think that the mood has changed. If the new party can capitalise on that, it could have an effect across virtually the whole spectrum of British politics. What Mrs. Thatcher was really talking about was the introduction of market economics. The Social Democrats might put it even better by stressing the social market economy—market economics with a safety net for the poor and disadvantaged. The Left-wing of the Labour Party might remain outside the consensus, but for the rest there could at least be agreement on the common aim of seeking greater prosperity while reducing blatant inequalities.

Only in one area have the Social Democrats given the hint of a hostage to fortune. Their statement yesterday called for "an incomes policy flexible enough to last and which will reduce the conflict between higher employment and lower inflation." The nature of such a policy is unclear. If it consisted of consultations between government, employers and unions, as has been practised in Germany and was sometimes advocated by the Tories in opposition, there would be no cause for concern. There is just a suggestion, however, that the new party is seeking to impose a note of *dirigisme* on an otherwise free market approach.

A new political departure is the demand that will certainly be made, and probably secured, for proportional representation if the Liberals and Social Democrats hold the balance in Parliament after the election. We believe that this is entirely justified on grounds of equity alone. A system under which the Liberals can win nearly 20 per cent of the vote yet only 2 per cent of the seats, as happened in February, 1974, is manifestly unfair. Yet only Parliament can introduce the change. Liberals and Social Democrats will be right to make this a priority.

The qualification is that it would be rash to think that PR by itself would change the face of Britain. It might make for more flexible politics, but Britain's problems of the past few decades cannot be attributed solely to dominance of the two big parties.

Duopoly

The same qualification goes for the Social Democrats in general. There have been high hopes before, yet new governments have repeatedly found the problems of managing the economy as intractable as ever. What the new party offers is a challenge to the system. At its best, it could combine the virtues of the social market economy with the internationalism and humanitarianism that used to be found in the Labour Party and are lacking in Mrs. Thatcher's brand of Conservatism. At the very least, the big parties have been warned that their postwar duopoly is under threat. That can only be salutory.

Elections in Kampuchea

GENERAL ELECTIONS now imminent in Kampuchea may be a hollow sham by Western conventions of democracy, but they are being taken seriously in that country. They are likely to put increasing pressure on all foreign opponents of the Vietnamese-backed Heng Samrin government to come up promptly with an alternative.

While two years of western efforts to find a political solution to the Kampuchea conflict have come to nought, the Heng Samrin government now feels confident enough of its grip on the country to launch a fresh bid for international recognition. Whatever the West might think, it seems clear that a large number of those people living in Kampuchea retain such dreadful memories of life under the genocidal Khmer Rouge regime of Pol Pot, which was overthrown by Vietnamese troops in January 1979, and have seen sufficient progress under the present government, that they are prepared to see Vietnamese troops stay in the country for the time being. They are prepared to back their puppet government in Phnom Penh in the polling booths.

Recognition

By holding elections now (in the past two years the Vietnamese have chosen this time of year, the beginning of the dry season, to launch major military offensives against Khmer Rouge guerilla strongholds) Vietnam's signals are clear: first it aims to show that a level of stability has been reached inside the country whereby it can claim Heng Samrin is genuinely in control, and that Khmer Rouge guerrillas are no more than a minor irritant.

Second, elections are intended to pave the way towards UN recognition for Heng Samrin. Over the past two years, opponents of Vietnam have successfully fended off demands for recognition, but the price has been a painful obligation to support the ousted Pol Pot regime. It now seems the embarrassment of maintaining support for such a bloodthirsty regime is too much for many UN members. Vietnam hopes that well publicised general elections will at last persuade these waverers to transfer their back to Heng Samrin at the next UN General Assembly in November.

It is also apparent that Vietnam cannot afford to keep its 200,000 troops in Kampuchea indefinitely. Critical economic problems at home, coupled with declining morale as the lion's share of the country's meagre resources continue to be eaten up by the military machine, make it important to get Heng Samrin standing on his own two feet as soon as possible.

This stratagem ignores the demands made by the West, which just about manages to speak with one voice through the Association of South East Asian Nations (ASEAN)—the group of countries most directly threatened by the conflict in Kampuchea. Foremost, the west wants foreign troop withdrawal—which of course means Vietnamese troop withdrawal—and then self determination through elections supervised by the United Nations.

Vietnam has successfully sidestepped these demands, because the West is impotent to achieve troop withdrawal, and because alternatives to Heng Samrin have more basis in wishful thinking than anything else. No-one in the UN would support the return of a Khmer Rouge government led by Pol Pot. Again and again, the name of Prince Norodom Sihanouk arises, most recently as joint leader of a "third force" with the anti-communist Son Sann, who is leading a tiny guerrilla army inside Kampuchea. But even if one could believe that the quixotic Sihanouk were seriously considering returning to Kampuchea, it is doubtful whether the people would any longer accept him.

If the western powers intend to offer their own political solution on Kampuchea then it is clear that they have got to think and act fast. Pious demands for a UN conference on Kampuchea look empty when matched against Vietnam's concrete steps to consolidate the power of Heng Samrin. In the end, this is a battle for the hearts and minds of the Kampuchean people, and in that battle, the Vietnamese appear to be winning.

U.S. COMMUNICATIONS INDUSTRY

The fight in Ma Bell's backyard

By Guy de Jonquieres

THE battle-lines of the American communications industry are being redrawn. But the realignment is following no orderly blueprint designed by a careful strategic planner. Instead, it is turning out to be a haphazard and confusing struggle, out of which a clear pattern has yet to emerge.

The stakes are huge. Communications is one of the fastest-growing sectors of the U.S. economy worth, at a conservative estimate, close to $100bn this year. By the end of the decade, the value of the market is expected to grow to several times this amount.

The frontiers of the industry are being rapidly pushed outward by technological innovation. Inexpensive computer power, in the shape of the silicon chip, is being combined increasingly with communications to produce new, ingenious and sophisticated information services, available in offices and homes at the push of a button.

But this explosion of inventiveness, hailed by some as the dawning of an "Information Age," severely strains the intricate legal, regulatory and political framework within which the industry has traditionally operated. In their efforts to come to terms with the fast-changing structure of the business, the various U.S. authorities responsible for supervising it have sometimes added to the confusion.

Many of the forces at work in the U.S. are also starting to be felt on this side of the Atlantic, though it is uncertain how closely European responses will mirror the American experience. In most European countries communications has long been firmly under the thumb of Government-controlled monopolies, while in the U.S. the industry is almost entirely privately owned.

None the less, the planned relaxation of the British telecommunications monopoly later this year acknowledges that the nature of the business is changing and is consciously intended to speed up the process.

If the turmoil raging in the U.S. communications industry has any fixed point, it must surely be the fate of American Telephone and Telegraph, the country's biggest telephone group. No company has more at stake. Events during the next few months and years could determine whether AT&T already massive hold over the industry is further strengthened and extended, or whether it is left fighting a rearguard action against marauding rivals.

Recently "Ma Bell," as AT&T and its subsidiaries have been known to generations of Americans, has been thrust on to the defensive. For the first time in almost a century, it is starting to taste real competition from outsiders intent on chipping away at the foundations of its $50bn-a-year business.

It is beset by dozens of legal actions seeking to curb its market power. At the same time, its basic telephone monopoly, which embraces more than 80 per cent of all U.S. subscribers, is threatened with deepening encroachments by its competitors.

AT&T wants to break out of its citadel and establish a bridgehead in the booming new market for "enhanced" services, which combine communications and data-processing. But other companies fear that it would swiftly dominate the competition, and here too its plans have become enmeshed in a morass of legal complexities.

Overhanging all of AT&'s future projects is the immensely complicated and still unresolved anti-trust case brought against it by the Justice Department in 1974. So intricate are the issues involved, and so vast the amount of evidence—running into millions of pages of documents—that the case did not reach trial until last January.

When it launched the case, the Government alleged that AT&T was using its market muscle to restrict competition in the communications industry. Its original purpose was to stimulate freer competition by splitting up AT&T's highly-integrated operations, which span the provision of telephone service, research, development and equipment manufacturing.

But, since then, Federal communications policy and rapid advances in technology have combined to roll back the frontiers of what was once AT&T's exclusive preserve. The issue before the courts now appears to be less whether there should be more open competition than on what terms AT&T should itself be permitted to compete.

AT&T has already been compelled by the Federal Communications Commission and successive court rulings to abandon a number of jealously-guarded prerogatives. It may no longer monopolise the supply of apparatus attached to its Bell System's lines. Even more important, it has been forced to grant access to its local subscriber network to rival long-distance telephone services.

AT&T's competitors won the crucial right to "inter-connect" their services with Bell System's circuits after a lengthy legal battle waged by MCI Communications, a small Washington DC-based company. Last June, AT&T was ordered by a Chicago court to pay MCI $1.8bn in damages to compensate the smaller company for the Bell System's alleged efforts to impede its business. But an appeal has been lodged against the award.

MCI uses a network of microwave radio links to offer long-distance telephone calls between major U.S. cities at rates as low as half those charged by the Bell System. Similar services are also offered by International Telephone and Telegraph, Western Union and Southern Pacific.

Though they are expanding fast, these "specialised common carriers" scarcely pose a serious threat at present. Their combined revenues last year were only about $400m, roughly 2 per cent of the Bell System's $20bn-a-year inter-state business.

"We haven't even dented AT&T's business," says Mr. William McGowan, the MCI chairman. "All we've done is to take some pressure off their investment programme by meeting some of the demand which they have not been able to satisfy."

But Bell executives profess concern that these inroads could be the thin end of a much bigger wedge. Like British Telecom and other European telecommunications authorities, AT&T subsidises its uneconomic subscriber network out of its highly profitable long-distance telephone services.

It fears that competitors will concentrate on the most profitable routes, thereby draining off a significant share of its revenues.

Competition for its lucrative business customer base is also intensifying. Among the companies preparing to do battle here is Satellite Business Systems (SBS), a joint venture owned by International Business Machines, Comsat — a privately-owned company set up by Congress to manage satellite communications—and the Aetna insurance company.

SBS aims to provide a sophisticated service to meet the growing internal communications needs of big companies with operations scattered across the continental U.S. It has signed up about 20 customers so far including IBM itself, Boeing and a group of regional insurance companies. It is also conducting a pilot scheme to link big banks on the American East and West Coasts.

Subscribers will rent rooftop dish aerials, through which they will send and receive transmissions via a satellite link. SBS is designed to handle a wide range of communications including voice, high-speed data and video-conferences, which enable executives in distant offices to see as well as talk to each other.

The service will be expensive. The minimum monthly charge will be about $100,000.

American Satellite, a subsidiary of Fairchild Industries, is already operating a similar service. A domestic satellite network is also planned by General Telephone and Electronics, the second biggest U.S. telephone company, which recently acquired Telenet, a specialised data communications network.

Xerox, the big copier manufacturer, is seeking Federal approval for a proposed business communciations system called X-Ten.

AT&T has responded to these challenges by reshaping its marketing operations and offering new services. These include telephones which identify the numbers from which incoming calls have been placed and Picturephone, a video-conference service.

Many industry analysts think that more far-reaching changes will be needed in the future. They believe that after decades of operating a federally regulated monopoly, AT&T management has become too bureaucratic and may find it hard to react with the agility required.

The Bell System's vast telecommunications network may also no longer offer the advantages it once did. For while its newer competitors can call on the latest technology, the pace of AT&T's modernisation programme is governed by its investment depreciation schedules and the need to avoid steep tariff increases which would outrage customers.

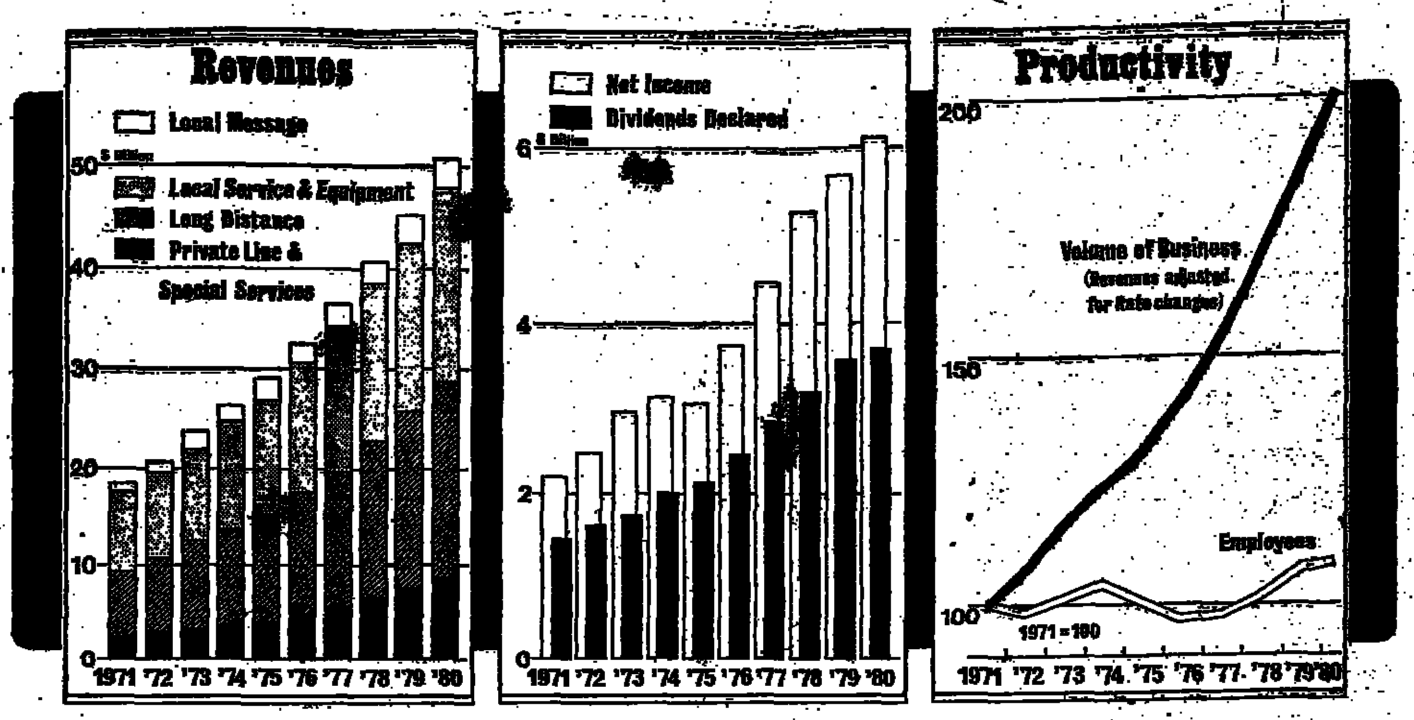
But the balance could be dramatically redressed if AT&T were allowed to deploy its massive resources in the market for enhanced communications. Demand for services combining communications and data-processing is growing strongly, stimulated by developments such as electronic banking, electronic mail and home information systems.

Last year, in a landmark decision, the FCC ruled that AT&T could enter this market, provided that it did so by setting up no later than March 1982 a separate subsidiary over which it would not exert direct management control. Since then, AT&T has announced plans to create such a company and to endow it with assets of $10bn and a staff of about 100,000.

But the waters have been thoroughly muddied by objections from the Justice Department. It contends that the FCC ruling violates a 1956 consent decree excluding AT&T from markets such as data communications which are not subject to Federal regulation.

AT&T itself has been pressing for an overhaul of the 1934 Communications Act, which lays down the basic framework for regulation of the industry. But the wheels of Congress turn slowly. The problem has been under study on Capitol Hill for five years now.

There is every possibility that by the time Congress gets around to drawing up a grand strategy, the shape of the battlefield will have been altered still further by the courts and the FCC and by the relentless march of technology.



EVERY WEEK last year, almost $1bn clinked into AT&T's corporate coffers. Every three weeks, it spent about the same on capital investments. And every two months it rang up a similar sum in net profits.

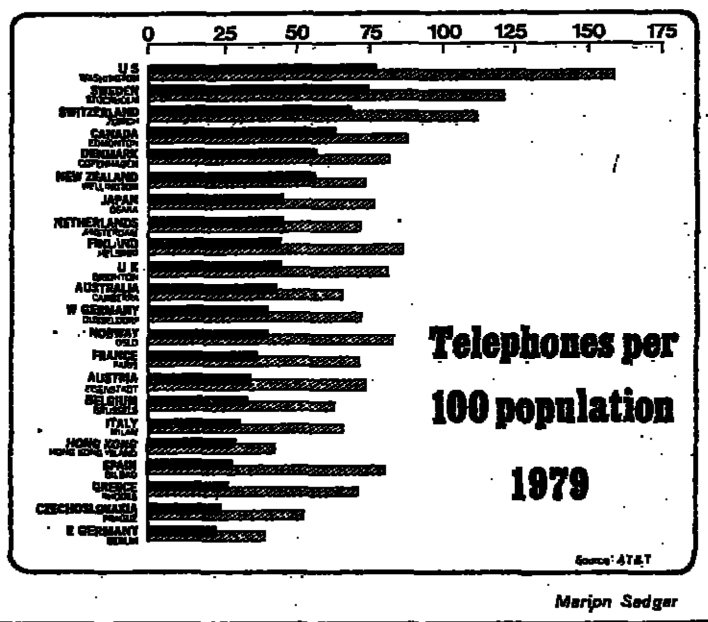
Over the year, its 18,182 exchanges handled more than 185bn calls travelling across 995m miles of wire and cable, linking 142m telephones attached to 35m subscriber lines. The average domestic subscriber lifted his handset 1,100 times a year to make or receive a call.

Though AT&T's $50.8bn a year turnover and its $6.1bn net profits are exceeded by those of Exxon, it is still the world's biggest company measured by assets totalling $125.5bn at the end of last year.

It has 3m shareholders, more than any other publicly-quoted company, and its total payroll of just over 1m employees is among the world's largest.

AT&T is not one company but an empire of interlocking companies. Its sway extends across 23 operating subsidiaries and affiliates.

AT&T ensures that it remains in the forefront of technology through the efforts of Bell Laboratories, whose $1.5bn research and development budget is rivalled only by that of International Business Machines. The transistor, the laser and high fidelity sound were invented by Bell Labs.



Marion Sedgar

MEN AND MATTERS

His trade is booming

Grilled for an hour under harsh television lights at the Waldorf yesterday, former defence correspondent Chapman Pincher did "not retract a word" of his revelations about suspect KGB agents in MI5.

Of Margaret Thatcher's charges of "inaccuracies and distortions," he said: "She has been enormously and badly misled."

The "foremost authority on espionage" was never at a loss for words. Not surprising. Pincher has already done 14 television and 16 radio interviews, and talked to "countless" newspapers about his book, Their Trade is Treachery. Next week he begins a nationwide tour.

One reporter suspected that Pincher's source of secret service misdeeds was former CIA chief James Angleton. "I've never spoken to him," said Pincher. Why do you call him Jim then? "We write to each other," retorted Pincher.

Nothing shook Pincher's story that the late Sir Roger Hollis could have been a KGB agent—but he was a bit shaken by questions about his ethics in naming Tom Driberg some time ago as a KGB man and only now reporting that he was also working for MI5.

"He also did a bit on the side for the Czechs," said Pincher laconically before finally and irately dismissing the question as "piffling."

Pincher claims to have helped MI5 with the odd bit of deception himself. He had no fears for his own security. "But my wife has a great fear of umbrellas," he said.

The 67-year-old reporter was not the only one with tales of secret operations yesterday. His publishers Sidgwick and Jackson produced their own rival script in an account of how the book got to the bookshops.

"Because of its sensational and sensitive nature, it was essential to preserve complete secrecy . . . 38 vans left a secret destination at dawn this morning . . . in order to ensure no leaks only three people were permitted to read the book in advance . . . others in the company were told at the last minute that something big was about to break.

"Twenty thousand copies were printed . . . put straight into wire cages and all waste sheets destroyed. But in view of the world's stunned reaction, the print was increased to 40,000."

Chairman Lord Longford sat silently at Pincher's side yesterday, the operation over, and stifled a yawn.

"... and we are the only party who can claim to bear no responsibility for the state the country is in today!"

Post-haste

In Scotland and Yorkshire for the past week taxmen have been proving there is more to the Inland Revenue than putting together PAYE codings.

To try to sidestep the present Civil Service strikes, which have closed down two tax computers at Cumbernauld near Glasgow and Shipley in West Yorkshire, senior Inland Revenue staff have been picking up from local Post Offices mailbags full of cheques for the two centres. They have then been driving them off to be sorted, and sent to London to be processed and banked.

Union members in cars and on motorcycles have been following them to try to identify the secret sorting centres and picket them. This has led to a number of spectacular car chases, particularly in Scotland, with allegations of mail-carrying vans dashing through red lights, and on some occasions the police providing an escort.

Yesterday, though, according to the unions, these operations—more reminiscent of a TV series than Inland Revenue business—hit a new peak of ingeniousness.

The unions were on their target van's tail. But instead of driving to a sorting office, the procession wound its way to the M8 motorway between Glasgow and Edinburgh.

The van then pulled into a service station, still with the union car in tow. The union sleuths were then amazed to see figures jump out of the back of the van with their mail bags, run over the footbridge to the service area on the opposite carriageway and climb into a waiting estate car, which then sped away in the opposite direction—leaving the flying pickets well and truly grounded.

Feet first

Sears Holdings, the empire built up by the late Sir Charles Clore and grounded in footwear, has stepped across the Atlantic to tie up the man to fill the shoes of deputy executive . . . Very well, enough of the metaphors, but what is Colin Marshall, executive vice-president of go-go U.S. group Norton Simon Industries, doing accepting the number three spot in staider Sears?

Coming home, is part of the answer. Marshall was born in Edgware, educated in Hampstead, and after a spell in shipping went to Hertz in Chicago in 1958. He joined Avis in 1964 to look after Europe, rose to the presidency in 1975 and, when Norton Simon took it over from ITT in 1977, moved up through the new parent.

While Marshall's career had so far progressed at a fair clip, at the top of Norton Simon is David Mahoney with, at 56, quite a way to go. So that while Marshall enthuses about the opportunities and challenges of Norton Simon, offers from other companies were arriving on his desk at the rate of roughly one a month. He chose Sears, despite a cut in pay. There, he will work with chairman Leonard Sainer and chief executive Geoffrey Maitland Smith on the overall running of the conglomerate, keeping a particular eye on areas such as motors and America which fall within his established special interests.

Maitland Smith says that the retirement of Sainer, now 71, is decidedly not imminent. But when it does come, with less than a year separating chief executive and deputy, both in their late forties, could succession prove tricky? Maitland Smith diplomatically counsels me to think in terms of "a dynasty rather than a succession," while Marshall asserts that Sears is quite big enough to keep everybody occupied.

Dutch disease

A surfeit of fish at the Maastricht summit appears to have upset the stomachs of the Brussels press corps as well as relations between EEC leaders.

Some 200 people including 70 journalists who attended the talks have been stricken by food poisoning after indulging in an end-of-session lunch which included salmon, shrimps and a rich fish pie. One or two have been taken to hospital.

Observer

هكذا من الأصل

ECONOMIC VIEWPOINT

Where the law of public finance is an ass

WHEN Sir Geoffrey Howe appeared before the Treasury Committee on Wednesday, he put up by far his best performance since he took office. Emboldened, it seems, by the Committee's apparent hostility to his whole approach, he put up a crisp defence of the basic Budget strategy

One topic, however, clearly worried him. Committee members of every persuasion wanted to know how activity could be helped constructively in the short run, and suggested the same answer: higher public investment would surely be logical while resources are lying idle, Sir Geoffrey agonised. This could pose financing difficulties; studies were in progress . . .

But clearly he would have liked, as much as any Committee member, to be able to give a more positive answer. Putting idle resources to work looks like common sense. If the law of public finance says it can't be done, he seemed almost to be admitting, then the law is an ass.

This feeling is now very widespread. Some of the leading monetarist brokers now argue for this kind of stimulus. The chairmen of the nationalised industries are running a campaign for profitable expansion and modernisation. Meanwhile a voice from the past and one from the present have stated an analystic case.

The latest volume of Keynes's hitherto unpublished writings showed that his preferred policy, outlined in memoranda to the Treasury in the mid-1940s, was that public investment should be used to stimulate the economy in a recession. The budget for current spending, on the other hand, should be balanced at all times. This is very different from the views of his neo-Keynesian followers, who look only at the "fiscal stimulus" and not at all at the real counterparts.

LORD KEYNES
crucial distinction

MR. LEON BRITTAN
delighted to spend more

A similar message emerged this week from a very different source — Morgan Grenfell, the merchant bankers, whose extreme hard-line view on fiscal policy helped to create the intellectual atmosphere for the Howe Budget.

Morgans now argue that while fiscal policy should be much tighter, public sector investment should be *higher*. Indeed, ing — the "decay of public finance," as they call it — has been to squeeze public sector investment. This has been the most dramatic contributor to a marked decline in total national saving and investment, as measured by the growth of real capital, over the last decade.

In other words, it is not true on this view that public spendin and borrowing has been too high — the conventiola Conservative view. Borrowing has been too high, but spending has in one important respect been too low.

The basic thesis is illustrated in the chart, which looks highly persuasive. Readers should perhaps be warned that Mr. John Forsyth, the Morgan Grenfell economic director, is never afraid to overstate a good case, and the chart is a little misleading. The high level of public sector saving in 1969 and 1970 does not represent the last glow of a golden age of public thrift, but an all time peak.

A longer run of figures would illustrate a rather different thesis, but still an interesting one. The first Wilson administrations went to enormous lengths to foster investment in both the public and private sectors, culminating in the unprecedented fiscal squeeze (and public sector saving) achieved by Mr. Roy Jenkins. This strategy unfortunately achieved overkill: almost nothing was left for an increase in consumption and resentment was implanted to mature later into militancy.

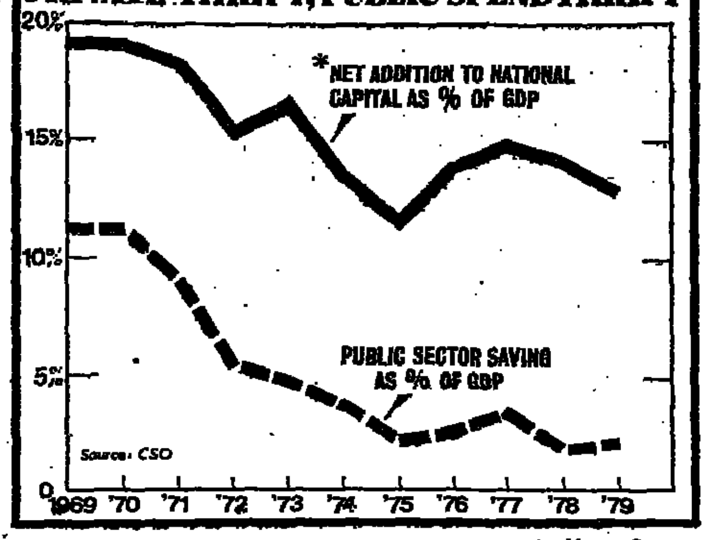
The Governments of the 1970s, faced with the demands first of the unions and then of the oil producers, have adopted the opposite strategy, raiding national capital growth to meet these current demands, in two stages. The Heath Government quickly reduced the rate of saving in the public sector, releasing 7½ per cent of GDP. The Labour Government which followed tried to protect industrial investment by making almost equally drastic cuts in public sector investment in non-market activities—subsidised housing, roads, health and education—from a peak in 1975.

Unfortunately both extremes appear almost equally damaging. If suppressing the growth of real incomes produced resentment, assisting it at the expense of national thrift has produced more material damage —a huge rise in unemployment in response to unrealistic real wages, and the reappearance of "public squalor"—homelessness school and university cuts, and potholed roads.

This brief excursion into the last two decades of the history of the real economy may seem to have taken us a long way from the apparent issue—the role of public sector investment —but is not without interest; for if we look at the real counterparts to changes in financial strategy, we find that it is possible to explain quite important and familiar social and economic changes without even mentioning the holy aggregates which seem to define Government policy nowadays— the PSBR and the money supply.

Indeed, even inflation, the Prime Minister's Public Economic Enemy No. 1, appears only by implication. Perhaps it is only Enemy No. 2, after all; for a similar swing from fiscal rectitude to deficient public saving and investment seems to have effects in relatively stable economies, such as West Germany, almost as damaging as in highly inflating ones, such as Denmark and the UK. This suggests that the underlying realities explain more than the financial aggregates.

PRIVATE THRIFT, PUBLIC SPENDTHRIFT



Martyn Barnes

*Net addition to national capital = gross fixed capital formation plus value of physical increase in stocks, less capital retirements, less overseas sector net acquisition of financial assets.

It is this unspoken realisation which at bottom inspires the present attempts to overcome the constraints on public sector investment—an urgent wish to make the financial rules match common sense, rather than sacrificing sense to the rules. Resources are lying idle: they should be put to work. Please devise rules to match.

Before this invitation can be accepted, there is an apparent difficulty to overcome. It was stated by Mr. Leon Brittan in Parliament, when he said that the Government would be *delighted* to invest more, but that this could only be achieved at the expense of some corresponding cut in some other spending programme. Otherwise public sector borrowing would rise, and interest rates could not come down. In other words, the Morgan Grenfell world in which borrowing can be cut while investment is raised is a world in which pint pots deliver quarts.

Now this is simple nonsense. There is no need to subscribe to any economic dogma to understand that when men and resources are idle, there are very large offsets to any rise in public spending. Unemployment falls, saving benefit; tax is collected on incomes earned, on expenditure, and on the incomes generated by any additional expenditure. According to one major user of the Treasury model, these offsets are enough to cover the whole cost of any increased investment in the present state of the economy — in other words, that the level of public borrowing has nothing to do with the level of spending.

Ministers who have been wrestling with this equation rather longer than Mr. Brittan may well feel in their bones that this arithmetic must be right, however much it offends their prejudices.

What is certainly true is that the offsets against investment spending would be very large in the present state of the economy; there is a tendency for public finances to reflect actual costs to the economy — opportunity costs — rather than simple gross outlays. This is why Keynes in the 1940s was so much wiser than Plowden in the 1960s in understanding the role of public sector investment.

Keynes wanted to accelerate investment in recession, when the opportunity cost, and the financial cost to the whole public sector, would be low. Plowden, dominated by simpler-minded arithmetic, wanted a smooth spending programme which would minimise the attributable money costs of such investment, but not the real cost Faced with tragic unemployment, we are rediscovering the truths discovered by Keynes, rather than the demand arithmetic of his followers.

Now so far I have argued the case for higher public sector investment entirely in real terms, as a measure to tackle the recession. This implies that the effect on financial markets would be slight, but probably slightly adverse — a small increase in borrowing to finance a large creation of resources. However, in a properly devised financial system, improved real health should be reflected in improved financial conditions, not neutral or worse ones. This ought to be automatic, but it requires a change in the rules.

This can be understood if we imagine for a moment the financial fortunes of that boring old company, Great Britain Limited. At the moment the company is borrowing money to pay the dividends, and Lex has produced some decidely sniffy comments. Suddenly, however, the management discovers opportunities to expand in a profitable market; and this, it is likely to find, does much to restore its investment standing.

Now an increase in public-sector investment at the moment would have little impact on the *quantity* of public-sector borrowing, but it would, in this sense, offer a marked improvement in the *quality*: for the borrowing would create assets and earning power to support it, rather than threatening a grim choice between higher taxes or higher inflation. In terms of the chart, incidentally, this improvement would show up as an increase in public-sector *saving*, since capital outlays would help to increase current revenue and reduce current spending.

If it is percipient, the market should be able to understand this improvement in quality without too much help; but the present financing rules, under which all public-sector bodies borrow from the Government, an dthe market is offered only gilts, are a positive barrier to understanding.

This is why it is now seen as so important to enable profitable public enterprises to borrow in their own right, so that the market can know the difference between sound real investment and inflationary issues of gilts. So far, the Government has seen privatisation as the only way to achieve this. But a profitable enterprise should be able to borrow in its own right whoever happens to own the equity, and should not require the underlying Treasury guarantee, which is the basis for the present inhibiting rules.

Anthony Harris

Letters to the Editor

Institutional involvement

From Mr. A. Rowley

Sir,—I read with interest Richard. Lambert's well documented account of the troubles at Stone-Platt (March 13) and I agree with his conclusion that this particular company's experience possibly indicates a wider gap in the UK capital market structure.

Whether it justifies the existence of special new institutions to provide equity is however questionable. It seems to me sounder to argue that the role of Britain's existing financial institutions needs to be modified drastically with regard to the financing of industry.

Institutions have ready-made defences for not intervening more actively in the affairs of industrial companies they invest in: their fiduciary duty to investors, their ability to "vote with their feet" in the last resort, and so on. But is it really in the national interest for them to produce high yields on the nation's savings (from investment in property, service companies, overseas stocks and so on) if the country's productive and employment-providing assets are being eroded at the same time?

It is often argued that any company can obtain funds from the British capital markets provided that it is capable of producing a fair return on the investment. But the question is, a fair return by whose standards? There is to my knowledge no handicap system which enables companies with long lead times between investment and eventual yield, or those in particularly high risk areas, to compete in the same league as those offering more rapid returns. Institutions prefer to punt on the faster horses so that they can pay out higher winnings to their own ultimate investors, be they policy holders, pension fund members or whatever. Figures exist to prove that a British policy holder gets a better return on his investment than does his insured counterpart elsewhere; but figures also exist to show that British industry is under-capitalised and thus less productive than that elsewhere.

Has perhaps the time not come to lower these investors' expectations so that the huge amounts of money which are channelled through the institutions—or at least a larger portion of those funds—could be invested on a long term basis in selected areas of British industry? It is not beyond the capability of the institutions to take part in the selection process, provided they abandon their present hands-off attitude and take steps to improve their knowledge of the workings of industry. Stronger linkages between financial institutions and industry would probably provide the kind of stability which industry has lacked since the demise of the proprietorial capitalists and the subsequent divorce between ownership and control of companies. One might argue that the legacy of that divorce has been a period of weak industrial management, militant trade unionism, a rash of often indiscriminate take-overs, company closures, wage inflation and so on.

Stronger institutional involvement in industry is not the ultimate panacea—but *neither is it the evil which it is often* made out to be by advocates of a "free" capital market.

Anthony Rowley.
c/o Far Eastern Economic Review,
61F, Centre Point,
181, Gloucester Road,
Hong Kong.

Late repayment of VAT

From the Managing Director,
A. Monnickendam Ltd.

Sir,—Once again we are in the throes of industrial action by the civil service, one of the results of which has been the closing down of the VAT computer at Southend. This is by no means the first time this has happened and indeed we have had lengthy correspondence with Inland Revenue and Customs and Excise in the past in order to resolve a particular problem.

As a company which buys its raw material in this country and which primarily sells on the export market, we like other exporters are invariably owed large amounts of money by the VAT office. When the Government was first faced with this situation, it was agreed that by arrangement with Inland Revenue, companies could delay payment of Corporation Tax and PAYE in order to avoid financial embarrassment due to non repayment of VAT. The iniquitous position, however, is that interest is charged on these overdue taxes by Inland Revenue, whereas there is no reciprocal arrangement whereby the Government is legally obligated to pay a similar interest charge to companies to whom VAT is owed. It is ironical that after the last computer shut-down, the Government saw fit to compensate Premium Bond prize-winners for late payment of prize money by giving an additional bonus … sate companies for late repayment of VAT!

We took up this point in 1979 not only with the Government but through the London Chamber of Commerce and the Institute of Directors but to no avail. We feel most strongly that exporting companies are being heavily penalised and legislation should be passed to protect us in *this* situation.

A. B. Monnickendam,
9, Ely Place, EC1.

Rough justice indeed

From Mr. E. Henbrey

Sir,—Immediately following the Budget statement the Revenue issued a Press release on capital gains tax. Tucked away at the foot of the release under the heading of avoidance there is expressed the intention to prevent the "abuse" involved in the "creation of a loss on shares acquired through a reorganisation of share capital." My assumption is that this is a reference, to legislation to reverse the precedent recently established in the Court of Session by Burmah Oil. By a reorganisation of share capital Burmah was able to convert a non-tax deductible capital loss into a tax deductible loss. In doing so Burmah, like many companies, was redressing a long-standing anomaly in the capital gains tax legislation which has been a subject of constant complaint and representation. The anomaly arises from the definition of a chargeable asset for capital gains tax … Thus, if a parent company capitalises its subsidiary company through the issue of share capital or through the issue of a formal loan or debenture stock, then any loss of that capital sustained by the parent company on account of the failure of the subsidiary is an allowable capital loss. If on the other hand the parent company capitalises its subsidiary wholly or in part by simple inter-company loan, then any loss of that loan is not allowable.

In many, if not most, wholly owned groups it is simple and commercially expedient to capitalise subsidiaries in part by inter-company loan. This unnecessarily exposes such groups to a tax anomaly. The Burmah case simply points to a way of overcoming that anomaly in face of the Revenue's continued and illogical opposition to a change in the relevant law.

The House of Lords recently gave the Revenue support in its ambition to look through avoidance schemes to the true economic reality. The economic reality in these cases is that many parent companies will have lost money on inter-company loan account through the failure of a subsidiary. Yet, through a distinction in the tax legislation as artificial as the avoidance schemes of which the Revenue itself complains, there is no tax relief. For the Revenue then to seek to restore this anomalous position by legislation, introduced as an attack on tax avoidance, is rough justice indeed.

E. J. Henbrey.
40 Corringway, Ealing, W5.

Start-up scheme

From the Research Secretary,
Association of Independent Businesses

Sir, — Although one can readily agree with Mr. Whiting (March 20) that a simple predictable and neutral taxation system would be a great help to new small businesses his criticism of the business start-up scheme is ill-founded. Britain does suffer from an over complicated tax system and a proliferation of reliefs but surely a more fundamental problem is the effect these reliefs have on the pattern of personal savings. These savings have been increasingly channelled into safe but less productive areas of the economy at the expense of risk taking investment in new enterprises. Here lies one of the reasons for the loss of dynamism in the British economy.

Since there appears to be little possibility of any major restructuring of the tax system in the near future, the business start-up scheme is a move in the right direction at least.

Although the limitations on qualification for the scheme make it more restrictive than this association would have liked, they hardly create uncertainty as Mr. Whiting suggests—quite the contrary. Incidentally they are almost the same limitations as the AIB found necessary in its proposals to Government in July 1980.

Mr. Whiting favours the Wilson committee proposal for a small firm investment company because "small businessmen would have one place to go for finance" but the point of enterprise packages in recent Budgets is to create a choice of types and sources of finance for new and developing enterprises. A thriving small business sector is more likely to be sustained by decentralised and competitive sources of finance.

Of course the scheme is not ideal, neither is the tax system into which it must fit. Until more radical changes are proposed the start-up scheme should be welcomed as an exciting experiment to involve more people in developing British enterprises.

People starting business may want simplicity and certainty but it is far more important that they can acquire suitable finance on acceptable conditions from a choice of sources. Such competition drives the market economy and has been muted in recent years.

B. Nicholson.
Trowbray House,
108 Weston Street, SE1.

Equity capital for industry

From the Chairman,
Investment Sub-committee,
Leicestershire County Council.

Sir, — On March 17 Miss Christine Moir wrote: "Like Stone-Platt, Equity Capital for Industry hopes the package will give it a new lease of life."

No doubt, but I and many other shareholders wish ECI would die by its own hand. Thank heavens that in 1976 the shareholders refused to put up the £500m (yes, five hundred million 1976 pounds) which was what the bank and its adviser wished. As far as my fund was concerned, the shares were taken up on the understanding that ECI would invest in potential winners with no current problems as well as those with difficulties but considered to have a future. At any rate, we have proved that ECI has no future and does not deserve one. Even the Prudential has recalled Mr. Findlay whom it bravely seconded as Lord Plowden did not think that an outsider could be found. The ECI has no role.

The solution is for it to continue its present portfolio, to follow a policy of running itself down, and to return capital to shareholders—starting now. I recommend this to the necessary number of shareholders required to request the necessary resolution at the next AGM.

G. B. Gibson.
County Hall, Glenfield, Leics.

The cost of a company car

From Mr. R. Rumsey.

Sir,—Both Mr. Brauer (March 20) and Mr. Freeman (March 24) appear to be missing one very important point when endeavouring to place the company car in the "perk" category.

It never ceases to amaze me that those unfortunate to have a company car fail to see the impact of this on their pension. The fairest thing to do would be to abolish company-provided motor-cars and pay the employee concerned the true cost of purchasing and running a car as salary assessable for pension purposes.

To be taxed by the Chancellor for the dubious pleasure of knowing that one's pension will inevitably be less than it should be is an irony indeed.

R. T. W. Rumsey.
Eycotwood Cottage, Rendcomb,
Nr. Cirencester, Glos.

Today's events

GENERAL

UK: Conservative Party central council meeting opens, speakers include Lord Thorneycroft, Sir Geoffrey Howe, Mr. Patrick Mayhew, and Mr. Michael Heseltine, Cardiff.

Mr. Leon Brittan, Treasury Chief Secretary, speaks at Leeds businessmen's lunch.

Mr. Tom King, Local Government Minister, speaks on Merseyside.

Mr. John Silkin, Opposition Leader of the House, speaks on the future of the Labour movement, Norwich.

Mr. Len Murray, Trades Union Congress general secretary, speaks at TUC rally for economic and social advance, Worcester.

Ford unions and management discuss job cuts plan, London.

British Veterinary Association two-day conference opens, Harrogate.

Overseas: Lord Carrington, Foreign Secretary, meets Pakistani Government leaders to discuss Afghanistan, Islamabad (until March 29).

EEC Fisheries Ministers meet in Brussels.

Polish union Solidarity calls four-hour strike.

Mr. Ishaya Audu, Nigerian Foreign Minister, meets Mr. Alexander Haig, U.S. Secretary of State, Washington.

PARLIAMENTARY BUSINESS

House of Commons: Private Members' motions.

COMPANY MEETINGS

Bournemouth and District Water, 128 Queen Victoria Street, EC, 12. Folkestone and District Water, The Cherry Garden, Cherry Garden Lane, Folkestone, Kent, 11. Goode Durrant and Murray, Durrant House, Chiswell Street, EC, 10. Hill and Smith, 75 Harborne Road, Birmingham, 12. Hirst and Mallinson, Queen's Hotel, Leeds, 11.30. Romney Trust, 21 Moorfields, EC, 2.30. Scottish United Investors, 31 St. Andrew Square, Edinburgh, 10.45. Sutton District Water, Gander Green Lane, Sutton, Surrey, 12.30. Wagon Finance Corporation, Hallam Tower Hotel, Sheffield, 12. Ward Holdings, Winchester House, 100 Old Broad Street, EC, 2.30.

COMPANY RESULTS

Final dividends: Catalin. Firmin and Sons. Home Counties Newspapers. Charles Hurst. Ibstock Johnsen. Bernard Matthews. Western Motor Holdings. Interim dividends: Capseals. Cope Allman International. Fairview Estates. Macallan Glenlivet. Pifco Holdings. Standard Industrial Group. Wombwell Foundry and Engineering.

Imperial warns on midyear results

A SHARP *fall in the first half* results of **Imperial Group**, whose activities include tobacco, food and brewing, was *forecast* at yesterday's annual meeting by Mr. Malcolm Anson, the chairman.

"We expect our results for the six months to April 30 to be very substantially below the good results obtained in the equivalent period of last year," he said.

But second half trading results should be "well above" those of the first half, he added. The full year's result would depend on how far the second half came up to expectation in partly or fully offsetting the shortfall to April.

In the last financial year to October 31, 1980, Imperial's pre-tax profits slipped from £142.3m to £126.8m. The first half total was £68.5m against £68m.

"Many uncertainties overhang our trading environment, and consumer reaction to the Budget has yet to emerge," Mr. Anson said. But most group businesses had some bias towards summer months, particularly Howard Johnson, the U.S. hotel and restaurant chain bought for £280m last year.

While making no dividend forecast, he said the company "wanted to provide a steady increase in the real value of the dividend year by year." For last year, Imperial paid a maintained 7.25p.

On a CCA basis, Imperial's dividend was effectively covered *after adding back to profits the* advanced corporation tax write-off attributable to 1979 but *charged in the 1979-80 accounts.*

If a dividend is more than once covered by earnings in CCA terms, said Mr. Anson

He added: "We would not expect to settle the level of dividend purely on the basis of one year's performance. On any given occasion it might well be permissible to pay more, or prudent to pay less than appeared justified by the immediate past year's results, if predictions for the future pointed that way."

Elaborating on the Howard Johnson purchase, he said its *assets had been valued at $205m* (£90m) above book value. Imperial has liquidated the company and set up a successor company to cut HoJo's tax liability, "with great benefit to after-tax earnings."

Lucas dives to £27.5m midterm loss

WITH DEMAND weak, and in the face of highly competitive *trading conditions*, **Lucas Industries**, the vehicle and aircraft accessory manufacturer, reports a turnround from a profit of £12.32m to a pre-tax loss of £27.47m for the six months to January 31, 1981.

The directors forecast improved results for the second half and a return to profitability for the next full year. But they warn that the UK workforce may need to be cut by as much as a further 4,500 in the coming months and the cost of these redundancies, amounting to *£12m, will fall* in the second six months.

The first half loss is shown at *35.38p (5.9p earnings)* per £1 share and the interim dividend is held at 2.6p net. The dividend *position for the full year will be* reviewed against the background of trading and profit performance when the final payment *is due to be announced*. Last year's total was 11p from profits of £51.55m.

Commenting on the halftime result Mr. Godfrey Messervy, chairman, says the downturn primarily arose in the UK where vehicle equipment companies all traded at a loss. On the other hand the UK aerospace business recorded a substantially improved performance with pre-tax profits of £6.9m.

Overseas profits fell to £6.25m, reflecting lower overall demand and the strength of the pound, which reduced the value of overseas sales by *£48m* and profits by £1.75m.

Trading conditions in the UK vehicle equipment companies has resulted in factory closures and, *since August 1, 1980, a 4,000 re*duction in the workforce. The cost of this reduction, only partially charged in last year's accounts, and the cost of other redundancies and closures already announced, has reduced profits this year by *£7.21m* (£0.25m).

First half turnover, including share of associates of £60m, fell by £24m to £603m. The chairman reports that trading conditions throughout the UK vehicle industry have turned out to be much worse than those experienced last year. UK vehicle equipment sales declined by 19 per cent—a volume reduction of 29 per cent.

Mr. Messervy points out that an important factor has been the extent of de-stocking in all *parts of the industry*. The group's industrial business also had reduced sales but demand in *the aerospace division* was strong, with turnover showing an increase of 60 per cent. UK exports held up well and at £112m were 11 per cent higher in value than the corresponding *period last year.*

In Europe the group's subsidiary and associate companies also experienced a downturn. But, while trading throughout the world was generally lower, the businesses in Brazil, India and South Africa all produced improved performances. *Sales in* the U.S. continued to grow strongly—mainly from increased turnover *of diesel* engine and aircraft equipment from the UK.

On prospects Mr. Messervy says demand for vehicles of all types is expected to remain at a low level for the remainder of *this year, both in Europe and the* UK. However, de-stocking now appears to be at an end and this *should help, partially, to restore* sales to a better level; some seasonal rise in car sales is expected in the spring and summer.

The demand for aircraft equipment is expected to continue at the present rate. *It is anticipated* that group's U.S. business will continue to grow and sales in Brazil, India and South Africa will remain strong.

Charges against first half profits *included depreciation* £16.03m (£15.04m), research and development £26.78m (25m) and *interest payable* £12.61m (£7.21m). The share of associates profits amounted to £1.69m (£3.19m).

Tax took £5.42m (£5.67m) leaving the net loss at £32.89m *(£8.65m profit)*. Minority profits totalled £740,000 (£1.04m) and interim dividends absorbed £2.47m (same).

Lex, Back Page

Bemrose lowers dividend as profit slumps

PRE-TAX profit of **Bemrose Corporation**, the Derby-based printing and packaging company, for the year to December 27, 1980 slumped to £338,000—less than 30 per cent of the previous year's figure of £1.15m. This surplus was struck on turnover up from £46.46m to £48.01m.

At the half-year stage the company made a pre-tax profit *of £114,000 (£890,000)* on turnover of £24.21m.

The directors have recom*mended a final dividend* of 1.5p net per 25p share. No interim was paid. For 1979 the final was 2.233p *making a total of 4.466p.* Stated earnings per share emerged at 2.22p (8.26p).

On the prospects for 1981 the directors say that while the year is unlikely to bring any marked improvement in the market place, as a result of action taken by the company group profit should make a significant recovery, which would allow them to recommend higher levels of distribution to shareholders.

The main reasons for the poor *results in 1980 were falling* demand in many printing, packaging and publishing markets, high interest rates, the heavy cost of the national printing dispute, the strong pound, and fierce price competition from overseas manufacturers.

The book publishing division, excluding the profitable National Union Catalog, incurred losses of about £900,000 and individual operating units, other than NUC, *are being sold or discounted*, the directors say. Non-recurring costs of £2.79m, principally attributable to the withdrawal from book publishing, have been *charged to extraordinary items.* Last year extraordinary items were £525,000.

The packaging subsidiaries Alf Cooke and Norbury have reduced the numbers employed by some 30 per cent over the past three years, and together with redundancies at Bag Company and parts of the printing division the severence payments in 1980 came to £397,000 (£139,000).

The directors say that these measures have increased productivity significantly, and improved working practices. This will enable the group to take strong advantage of any future upturn in demand.

Printing activities in Derby enjoyed an excellent year and achieved record results the directors say thus vindicating their earlier decision to invest heavily in new equipment.

Interest charges for the year came out at £1.36m (£992,000), and the tax charge was £77,000 (£206,000). Preference dividends took £11,000 (same) and the amount attributable emerged as a loss of £2.54m (£404,000 profit). Ordinary dividends absorbed £169,000 (£502,000) and the transfer from reserves came out at £2.7m (£98,000).

The comparative figures have been restated to reflect prior year's adjustments.

The directors say that net bank borrowings at the end of 1980 *stood at £7.9m which is* equivalent to 50 per cent of shareholders' funds.

● comment

Bemrose's results have been scarred by the accelerating losses of its book production division. Even including the *profitable National Union Catalog*, publishing was no more than 5 per cent of group turnover. *But start-up costs began to slide* into major losses at the end of 1979. When the division lost about *£0.9m in 1980*, Bemrose decided it was better to suffer the present heavy cut in its *balance sheet than to soldier on.* Other parts of the company were depressed by the slump in consumer demand, especially the packaging operations where margins have been eroded by imports. But the main printing activities did very well, notably the security printing and *calendar units. Continuing* operations actually generated a pre-tax profit, very close to 1979 levels. The shares moved up 5p yesterday to 39p, after the reappearance of a dividend; the yield is 5.7 per cent. A fully-taxed p/e of 28 is discounting a good recovery.

HIGHLIGHTS

Lex looks at the spurt in the equity market yesterday against the background of some highly variable company results. Thus there is a serious loss at giant motor component group **Lucas**, hit by a savage demand slump which reached 30 *per cent in vehicle components but the worst should be over.* Meantime there are some sparkling figures from the financial sector in the shape of **Kleinwort Benson's** profits leap helped *by the surge in bullion dealing profits last year.* A more neutral picture is presented by **Alexander Howden** with profits virtually unchanged. Elsewhere there are some very poor figures from **BBA** and **Bemrose** has been hard hit. *Holiday groups continue* to prosper however and **Saga**, which specialises in holidays for the more elderly, has reported a 40 per cent jump in profits.

Thomas Cook audit changes hands

Thomas Cook, the Midland Bank subsidiary, is appointing Ernst and Whinney *as its new* auditors in place of Peat Marwick Mitchell. At stake is an audit fee which last year totalled £281,000. Thomas Cook says it is making the change as part of Midland's policy of concentrating audits of group *companies with its main auditors.*

The change is announced in the latest annual report of Thomas Cook, which *shows* that group pre-tax profits are down from £10.9m to £10m. Record pre-tax profits were achieved by the travel division, even after allowing for exceptional development expenditure. The results attributable to travellers cheques and wholesale bank note dealing were *slightly down.*

Sir John Cuckney, the chairman, says that the main thrust of the group's *retail expansion* continues to be in the UK, where the benefit to be gained from good *High Street positions has* been amply demonstrated.

"During the year we opened no less than 16 new branches and we relocated several others. A similar number are intended to be opened this year and we plan a steady growth in our retail outlets."

Sir John also reports that links with Wagons-Lits, the Belgian-based railway services, catering and hotels group, continue to strengthen. "In addition to regular liaison meetings between the two companies, a number of joint projects are under consideration. In particular we are looking at the possibility of establishing joint sales organisations in those parts of the world where neither company individually is at present sufficiently represented to be effective."

Another Midland Bank subsidiary, **Northern Bank**, has reported a slump in 1980 pre-tax *profits from £15.4m to £1.56m.* This was largely as a result of an unprecedented rise in provi*sions for bad debts which showed* a fourfold increase in 1979.

The widening disparity *between sterling* and the Irish pound was another major problem and this led to an increase in exchange debits from £1.2m to £6.8m.

Tax charge was £0.89m (£7.64m) and earnings per share dived from 98.7p to 5.9p.

A turnround in profit is reported by **BCT Midland Bank**, the French mortgage bank in the Midland group, for 1980.

The bank made a net profit of FFr 24.5m (£2.2m), compared with a FFr 69.3m loss (£6.2m) in 1979.

Mr. Herve de Carmoy, the chairman, said the return to profitability was made possible by a strengthening of the capital base, a reduction in non*productive lending and the con*tainment of costs to the level of inflation.

Over the next three years BCT will continue to devote the major part of its lending activities to property finance. *It will also* develop new business with French subsidiaries of multi*national companies* and extend its activities into property-related wholesale banking.

Midland Bank acquired a 68.4 per cent controlling interest in Banque de la Construction et des Travaux Publics in June, 1979, and renamed it BCT Midland Bank. It is quoted on the Paris Stock Exchange. It has its head office in Paris and 14 branches in major industrial and commercial centres in France.

Reverse for Harris and Sheldon

Taxable profits of **Harris and Sheldon Group** *fell by £1.4m to* £3.11m for 1980 on turnover up from £45.36m to £48.26m.

But the group, which has interests in consumer products and associated industries, is maintaining the net total dividend at 3p with an unchanged final of 1.75p. Earnings per 25p share were down from 7.5p to 5.1p.

Tax took £1.07m against £1.54m last time, and there was an extraordinary deduction of *£678,000 (£323,000)*. At the half-way stage, profits were down from £1.5m to £1.23m.

City of Leeds oversubscribed

The City of Leeds £50m issue of 25-year stock has been oversubscribed about two and a half times. Demand for the stock came largely from insurance companies, pension funds and merchant banks. In addition, there was some overseas interest.

Dealings in the issue begin today at 10 am and the stock, *priced at £97¾ per nominal £100*, is expected to open at a premium.

The stock has been allocated on the following basis: applications for up to £25,000 have *been satisfied in full, applica*tions for between £25,000 and £70,000 have been allotted *£25,000; and applications in* excess of £70,000 have been allocated 39.6 per cent of the application.

The City of Leeds issue is the first new corporation stock for two years and the first 25-year corporation stock since 1967.

SPAIN

March 26	Price %	+ or −
Banco Bilbao	288	
Banco Central	332	
Banco Exterior	262	
Banco Hispano	278	+6
Banco Ind. Cat.	127	
Banco Santander	333	−3
Banco Urquijo	181	+2
Banco Vizcaya	308	
Banco Zaragoza	230	
Dragados	135	+4
Espanola Zinc	75	
Fecsa	58.5	−0.2
Gal. Preciados	30	
Hidrola	65.4	+0.2
Iberduero	57	+0.8
Petroleos	91	+0.5
Petroliber	70	
Sogefisa	85	
Telefonica	61	
Union Elect.	63.5	−0.5

Abwood back in the black but omits interim payout

ABWOOD MACHINE TOOLS, the troubled Dartford-based machine tool manufacturer, yesterday reporte da small profit of £7,000 for the first half of the *current year. This compares* with a loss of £39,000 for the same period of 1979 and with a *total deficit of £178,000 for the* whole of 1979-80.

The company says that the result — which is in line with the forecast made at the annual meeting last October — has been achieved "despite the state of the company when the previous managing director was dismissed, and despite the high level of borrowing to be serviced."

The announcement of the loss covery of "serious discrepancies" in the company's administration, particularly relating to its accounting policies.

Mr. Alan Peck (who has a 14 per cent interest in the company) *was dismissed as managing director* in March, 1980 and was voted off the board at the annual meeting. Mr. Peck has *taken legal action through the* Industrial Tribunal alleging unfair dismissal.

The company says that the high level of borrowing arose largely because of the company's *machine* re-equipment programme which was authorised when the board believed that the company was achieving good profitability, and also because of over-ordering of materials in the past."

"Thus, respite the changed circumstances, the company has been obliged to take delivery of machines and goods with the consequent strains on the level of borrowing which has been exacerbated by the current deep recession.

Kleinwort Benson jumps £7m after boost from bullion

AFTER TAX profits of **Kleinwort, Benson, Lonsdale** jumped by some £7m to £19.02m for the year to end December, 1980. At the interim stage, the directors reported *that* results were substantially higher than for the same period of 1979.

The group operates as an *in*vestment holding company, with its principal subsidiary, Kleinwort Benson, engaged in the business of merchant banking.

Net profits of the banking group leapt from £9.27m to £16.2m, reflecting the exceptionally large profits derived *from bullion dealing* by Sharps, Pixley and its subsidiaries. The result was after transfers to *inner reserves, out of which re*serves provision has been made for diminution in value of assets.

Profits from other group companies were maintained at £1.92m, *while associates' contri*butions were virtually unchanged at £901,000.

The dividend total is being stepped up from 6.5p to 9p net per 25p share, with a final of *6p (4p)*. Ordinary payments absorb £4.85m (£3.5m) and retained profits came out at £14.09m, against £8.53m.

The directors have released some £28m from deferred tax to disclosed reserves, representing stock relief no longer required.

At the year end, shareholders' funds were ahead from £110m to £155m. Current, deposit and *other* accounts totalled £1.94bn (£1.46bn), while customers' deposits of bullion were £556m (£444m).

Balances with bankers, money at call and bullion rose from £128m to £139m and certificates of deposit and other marketable obligations amounted to £214m (£194m).

Michael Lafferty writes: Mr. Bobby Brooks, the Kleinwort finance director, said yesterday that a large part of the increase in profits related to the Sharps Pixley bullion dealing subsidiary. Sharps Pixley had produced an unprecedented performance, he said. On the other hand, domestic banking profits were marginally ahead, while Martens and Werhousen, the recently acquired German bank, had shown a small profit. Fee income, particularly that from corporate finance, was "up tremendously," while the Hong Kong and Channel Islands' subsidiaries had also done very well. Looking to the future, he said it would be unreasonable at this stage to expect that profits for 1981 would match those for 1980.

Second-half setback at Coates Brothers

A SHARP deterioration in the second half performance of **Coates Brothers**, the *printing* inks and synthetic resins manufacturer, reduced pre-tax earnings from *£9.6m to £7.48m* for 1980.

The dividend is maintained at 2.12p, making an unchanged net total of 3p. Earnings per 25p share fell from 13.33p to 11.64p.

Turnover was up from £95.24m to £103.22m, and after a reduced tax charge of £2.34m (£3.87m), minority interests of £423,000 (£333,000) and extraordinary items of £264,000 (£368,000), retained profits were £3.23m (£3.81m).

The extraordinary deduction covers the cost of group reorganisation in 1981.

All the comparisons have been restated following a change in the company's accounting policy. As a consequence, pre-tax profits have been increase by £1.32m (£1.11m).

The directors say profits are substantially lower than when forecast at the halfway stage and *deteriorated sharply in the* second half. But the early months of 1981 show no further deterioration, although there has been no real sign of an upturn.

● comment

Despite some buoyant performances from *its overseas* subsidiaries—the South African company maintained its growth after a 34 per cent *rise in the* first half—Coates Brothers' preliminary results are dominated by the slump in the UK. *Volume* is perhaps not expected to fall any further, but it has not yet begun a sustained revival. There has been some erosion of margins in the domestic market, and even more in the case of exports. Profits may well be much the same in 1981, even if there is a recovery at home, since there are signs that the foreign earnings may run slightly out of steam. A view has been taken that the capital investment programme must be followed through; borrowings may rise to £5m this year as a result. The shares moved ahead yesterday, both classes now standing at 51p, where they yield *8.8 per cent. The fully-taxed p/e* of 6.3 reflects the solid, if currently unexciting, prospects.

Board changes at Chubb & Son

Chubb and Son, the security *systems group, is to appoint* Mr. Brian Lamming, a senior executive of Thomas Tilling, as *managing director* at the monthly board meeting on May 13. Mr. Lamming has resigned *his employment* at Tilling and will take his place on the Chubb board on April 1.

He will replace the current group managing director, Mr. W. E. Randall, who will succeed the chairman Lord Hayter. Lord *Hayter yesterday announced* his intention to resign from the board of Chubb on the attain*ment of his 70th birthday* on April 25. Mr. Randall is also the present deputy chairman.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
BBA Group	0.9	July 6	1.79	1.74	2.63
Bemrose	1.5	—	2.23	1.5	4.47
Berkeley Hambro Prop.	3.6	—	3	6.6	5.5
Wm. Boulton Group int.	Nil	—	0.5	—	1.35
Chambers and Fargus	0.51	May 22	0.25	—	1.5
Coates Brothers	2.12	—	2.12	3	3
Friedland Doggart	2.87	May 25	2.7	4.72	4.45
Harris and Sheldon	1.75	April 10	1.75	3	3
Alexander Howden	3.5	May 18	3.5	7	7
Kleinwort Benson	6	May 26	4	9	6.5
Leyland Paint	1	July 6	2	1	2
Lucas int.	2.6	—	2.6	—	11
Manders	3.5	May 11	3.2	4.8	4.4
Mixconcrete (Holdings)	2.5	May 1	2.5	4.5	4.5*
Noble and Lund	0.61	—	0.25	0.79	0.42
Saga Holidays int.	3.2	April 30	2.75	—	9

Dividends shown pence per share net except where otherwise stated.
* *Equivalent after allowing for scrip issue.* † *On capital* increased by rights and/or acquisition issues. ‡ To reduce disparity.

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UK COMPANY NEWS

Alex. Howden profit slightly lower

PRE-TAX profit of Alexander Howden Group, insurance broker and underwriting agency declined marginally from £20.12m to £20.01m in 1980, on turnover up from £90.7m to £91.43m. The turnover was made up of increased brokerage and commission of £56.0m compared with £51.87m, and lower premium income from insurance companies of £35.4m as against £38.92m.

At the half year stage pre-tax profit came out at £11.13m (£11.09m).

Mr. K. V. Grob, the chairman, says he is confident of excellent prospects for future growth of Howden, but that he cannot as yet make a forecast for 1981.

"There is still no sign of any worthwhile increase in insurance rates and with major currencies fluctuating by several percentage points in a matter of weeks it is impossible to budget with accuracy," he says.

Commenting on the 1980 results he says that given the deterioration in insurance rates, and the strong pound, the pre-tax profit is satisfactory.

In the UK the company's market share continued to grow and a small increase in sterling profits must be seen as a good performance against the general background of the industry," he says.

"Our insurance companies had a further year of strong financial income and while the underwriting results of the closed years have been very reasonable there must be some doubt about the development of certain open years, particularly 1980.

"We have taken the opportunity, therefore, of strengthening further the loss reserves and arranging reinsurance protection to deal with any deterioration of 1980 and prior years."

In the U.S. a reappraisal of operating methods resulted in substantial cost savings. In Australia, the direct broking business has been enlarged by acquisition and growth and at the same time staff numbers have been substantially reduced.

Elsewhere overseas, the subsidiaries increased their contribution, and Mr. Grob is most pleased with the new joint venture with the Lansberg Group of Venezuela for the development of reinsurance brokerage in Spain and the Spanish-speaking countries in Central and South America.

Interest charges for the year were £3.06m (£2.4m) and tax took £7.98m (£8.22m). Minority interests came out at £130,000 (£310,000) and after extraordinary items of £1.63m (£620,000) the attributable profit emerged at £10.27m (£10.96m).

The directors are recommending a same again final of 3.5p net per 10p share making a total of 7p (same). This level of dividends absorbs £6.37m for the year. Stated earnings per share are 13.1p (12.79p).

The amount transferred to investment reserves was £246,000 (£300,000), and cost of control write-offs was £437,000 (£438,000) leaving unappropriated profit for the year of £3.22m (£3.87m).

Lex, Back Page

Saga higher at midyear: interim up 0.45p

THE HOPED-FOR progress at Saga Holidays has been borne out with taxable profits rising in the half-year to end-December, 1980, from £1.15m to £1.32m. Turnover was also higher, improving by over £2m to £13.89m.

And chairman, Mr. Sidney De Haan anticipates a satisfactory result for the full year and looks to the future with optimism. He says advance bookings for 1981-82 show a healthy increase over those achieved at the same time last year—mainly in the overseas and cruise market.

The interim dividend is being stepped up from 2.75p to 3.2p net—last year a total of 9p was paid from pre-tax profits of £2.44m.

The chairman says the trend towards UK holidays indicated in his last annual statement continued and by extending the range and capacity of these holidays the group was successful in meeting the increase in demand. The new open age holiday venture, Take Five, was successfully launched in September and although it will remain a relatively small part of the company's business for a number of years, the directors are optimistic for its future.

The group's operation based in Boston, Massachusetts, is now established and will launch its first holiday programme for retired Americans this autumn.

The pre-tax surplus for the six months includes investment income and income from leasing which, after deducting holiday discounts given for early payment on holidays taken in the period, amounted to £539,000 (£485,000).

Tax was higher at £82,000 (£71,000). The directors anticipate that the capital allowances which will be available from the company's anticipated further investment in leased assets will result in there being no mainstream corporation tax payable on the profit of the period. The tax charge for the half year was advance corporation tax on the interim dividend.

Stated earnings per 20p share rose from 18.02p to 20.55p.

Retained profits emerged at £1.04m (£916,000) after interim dividend payments which absorbed £192,000 (£165,000).

Saga's activities consist of providing inclusive holidays in the UK and overseas for people over the age 60. It also owns hotels and is in the business of leasing industrial equipment.

The chairman points out that the group's leasing activities proved to be very satisfactory and the company intends to make a further large investment in leased assets during the last quarter of the current financial year. Income from investments and leasing continues to enable the company to offer very competitive holiday prices, he adds.

At end-December shareholders' funds stood at £7.1m (£5.16m).

● **comment**

Saga Holidays is on course for another year of earnings growth, but this will probably be less spectacular than most travel companies which have a higher proportion of overseas bookings. Pre-tax margins on its holiday packages have been marginally squeezed as its over 60s clients have tended to move slightly down market choosing less expensive UK holidays. Earnings continue to be buoyed up by investment income and Saga benefits from high interest rates more than most travel firms as a higher level, roughly 40 per cent, of its holidays are prepaid. This cash is invested in local authority issues and together with earnings from its leasing now regularly accounts for about 40 per cent of profits. Advance bookings are well up on last year, so full year earnings in the region of £2.8m are in sight. Assuming a 10.35p total pay-out the shares at 287p would yield 5.2 per cent and the prospective p/e, fully taxed, is 12.6.

Profits hoist for Chambers & Fargus

Almost trebled first half profits are announced by Hull seed crusher and edible oil refiner Chambers and Fargus. The pre-tax surplus in the half year to end-1980 was £234,185 against £83,991 last time.

But the Board says it will be difficult to repeat this achievement in the second half. The start of 1981 has been beset with shortages of seed and oil and the company has been developing cocoa activities to suit the changing needs of the market.

In difficult markets, the Board says, the company has continued to show strength in seed crushing and trading while cocoa bean processing continues to make a contribution.

Turnover, however, fell from £5.86m to £4.69m.

An increased interim net dividend of 0.5p (0.25p) is being paid to reduce disparity—last year, a final of 1.25p was paid. Earnings per 5p share rose from 1.13p to 3.15p.

W. S. Yeates declines and warns on margins

After finance costs of £290,000, compared with £220,000, profits of W. S. Yeates, the Loughborough-based coach and car distributor, slipped in the year to end-October, 1980, the pre-tax figure emerging at £1.27m, against £1.44m. Sales for the period were over £2m higher at £22.57m—a rise of 10.7 per cent.

Tax took £34,000 (£11,000) and stated earnings per 10p share were lower at 52.8p (61.4p).

The dividend for the year is being increased from 8.47p to 9.17p net with a same-again final of 4.97p.

Mr. Charles Yeates, the chairman, says although the group is currently trading at a high level—and even increasing its market share—the present unfavourable conditions will have an inevitable consequence on trading profits. Sales margins, he says, remain severely depressed.

Commenting on the past year's results, he says the sale of new and used buses and coaches remained at a high level until the last quarter of the financial year. However, a number of factors then acted together to produce a severe downturn in the market, affecting both volume and margins adversely.

The share investment portfolio was more actively traded during the year. The market value of the investment portfolio at year end was £1.04m, compared with a book cost of £689,000.

Despite the problems created by the present depressed state of the motor industry, the chairman is confident that the group's position will be strengthened within the industry by the end of the current year.

W. S. Yeates shares are traded on the market made by M. J. H. Nightingale and Company.

Berkeley Hambro advances

Reduced property outgoings, management expenses and interest charges amounting to £3.16m against £4.02m enabled Berkeley Hambro Property Company to lift its 1980 taxable profits from £3.58m to £4.39m.

The dividend is increased from 5.5p to 6.6p net with a final of 3.6p.

Earnings per 25p share, after tax of £1.57m (£1.34m) are shown as 16.4p (13p) and the net asset value is up from 285p to 354p.

Extraordinary items of £244,000 (£414,000) are taken directly to reserves and after dividends there is a retained surplus of £1.66m (£1.26m).

Gross revenue was slightly lower at £7.52m (£7.56m). Associates contributed £26,000 (£35,000) to the pre-tax surplus.

'Significant years' ahead for CCP

TAXABLE PROFITS of petroleum exploration and exploration group, CCP North Sea Associates rose in 1980 from £114,523 to £164,076 before an unrealised exchange gain of £167,687, compared with £225,258.

After a much lower tax charge of £100,070 (£280,376) and taking in the unrealised exchange gain the net balance emerged at £231,693, against £59,405.

However, as the North Sea blocks in which the company has an interest are not yet revenue-producing, no dividend is recommended.

The company's shares are dealt in on the Unlisted Securities Market.

In his annual report Mr. G. G. Stockwell, the chairman, says with the Buchan Field on stream, exploration wells likely both in the Moray Firth and the North Sea, together with a gradual expansion in the U.S. through wells with a "high risk/high reward" character, 1981 and 1982 are likely to be years of great significance for the group.

He points out that the earliest date for production at the Buchan Field is now the end of April, explaining that apart from mechanical difficulties that have beset the development programme, the failure of the Alexander Keilland structure, a sister design of the Buchan Alpha, necessitated a full investigation of its structural integrity.

This not only delayed the project further, but also resulted in increased costs

Referring to the additional taxes imposed by the Government on North Sea oil revenue, Mr. Stockwell says the fiscal regime in the North Sea is now extremely complicated but more importantly, is "reaching a point where the rate of return on capital is getting out of line with the risks involved."

He says it is ironic that governments, which for years accused the OPEC countries of killing the goose that laid the golden eggs, are now adopting the very course against which they protested so vehemently.

Friedland & Doggart pays more

Following the halftime reduction, pre-tax profit at Stockport-based Friedland Doggart Group continued to fall in the remainder of 1980, and the full year figure was down from £1.48m to £821,310.

A higher final net dividend of 2.87p (2.7p) per 25p share is to be paid, making an increased total of 4.72p (4.45p).

SILKOLENE

Sales of Silkolene Lubricants improved during 1980 from £10.98m to £14.04m. At the interim stage, pre-tax profits were ahead at £647,000, compared with £407,000. In yesterday's report on the full year outturn, which showed taxable profits down from £1.07m to £868,000, the midterm figure was incorrectly given as being lower at £301,000, against £492,000.

BANK RETURN

BANKING DEPARTMENT

	Wednesday March 25 1981 £	Increase (+) or Decrease (—) for week £
Liabilities		
Capital	14,553,000	
Public Deposits	38,049,787	— 1,653,280
Bankers Deposits	666,468,498	+ 98,060,488
Reserve & other Accounts	1,299,732,321	— 41,596,497
	2,018,803,606	+ 54,810,691
ASSETS		
Government Securities	460,260,856	+ 6,665,000
Advances & other Accounts	1,183,277,988	+ 161,297,794
Premises Equipment & other Secs.	355,540,969	— 118,317,601
Notes	19,477,972	+ 5,226,366
Coin	345,821	— 80,868
	2,018,803,606	+ 54,810,691

ISSUE DEPARTMENT

	£	£
Liabilities		
Notes issued	10,375,000,000	+ 125,000,000
In Circulation	10,355,522,028	+ 119,773,634
In Banking Department	19,477,972	+ 5,226,366
ASSETS		
Government Debt	11,015,100	—
Other Government Securities	5,651,138,078	— 57,979,043
Other Securities	4,712,846,822	+ 182,979,043
	10,375,000,000	+ 125,000,000

LONDON TRADED OPTIONS

(Mar. 26 Total contracts 1,264)

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP	360	24	2	44	—	54	—	380p
BP	390	8	21	27	5	36	2	"
BP	420	2	7	15	5	22	1	"
Com. Union	140	31	—	31	1	37	—	170p
Com. Union	160	11	23	16	7	21	—	"
Com. Union	180	2½	2	8	15	13	—	"
Cons. Gold	420	48	15	78	10	88	—	461p
Cons. Gold	460	23	1	55	9	67	32	"
Cons. Gold	500	—	—	37	8	45	1	"
Cons. Gold	550	—	—	22	61	25	3	"
Cons. Gold	588	3	—	12	28	—	—	"
Courtaulds	60	4	7	8	—	18½	74	62p
Courtaulds	70	1	—	5	10	5½	—	"
GEC	500	172	1	185	—	—	—	670p
GEC	600	70	19	97	3	115	—	"
GEC	650	26	6	58	—	80	1	"
Grand Met.	140	58	—	57	—	60	2	191p
Grand Met.	160	32	49	38	14	42	—	"
Grand Met.	180	12	121	20	50	27	—	"
Grand Met.	200	4½	27	10½	35	15½	—	"
ICI	240	11	—	26	5	35	—	238p
ICI	260	2½	5	13	3	26	—	"
ICI	280	1	—	8	—	19	8	"
ICI	300	½	20	2½	—	12	—	"
ICI	360	½	1	1	—	—	—	"
Land Sec.	420	13	27	30	1	48	—	422p
Marks & Sp.	110	17	18	22	—	27	—	126p
Marks & Sp.	120	8	26	14	2	15½	1	"
Marks & Sp.	130	2½	7	8	—	12	—	"
Shell	390	12	48	28	—	38	—	396p
Shell	420	3	39	14	—	22	1	"
Shell	460	¾	2	5	—	12	—	"
Shell	500	½	1	3	—	—	—	"
Shell	550	¼	1	¾	—	—	—	"
Totals			498		262		186	
		May		**August**		**November**		
Barclays B'k	480	4	10	20	—	24	—	383p
Imperial Gp.	70	4	20	8	—	9½	5	"
Imperial Gp.	80	¾	—	3½	—	4½	15	"
Lasmo	700	8	3	20	—	35	1	597p
Lonrho	90	12	—	18	1	21	1	96p
Lonrho	100	5½	—	10½	2	14	—	"
Lonrho	110	1½	114	6	—	9	1	"
P. & O.	120	23	2	25½	—	30½	2	141p
P. & O.	130	14	3	17½	1	22	—	"
P. & O.	140	7	16	11½	1	15½	—	"
Racal Elec.	300	81	—	90	3	—	—	375p
Racal Elec.	360	33	6	45	2	59	—	"
Racal Elec.	390	13	126	29	55	44	—	"
RTZ	390	80	5	97	—	112	—	463p
RTZ	454	38	2	—	—	—	—	"
RTZ	494	17	1	—	—	—	—	"
RTZ	500	—	—	50	2	60	—	"
Totals			305		47		25	

Denbyware bid 'war' intensifies

THE WAR of words in the bid battle between Denbyware and Crown House which is offering 80p a share, intensified yesterday.

In a generally caustic rejoinder to the rejection document Crown House tells Denbyware shareholders that their company is negotiating a major asset sale. The document also casts a different light on Denbyware's recent asset revaluation which was highlighted in its defence.

The circular claims that "negotiations are in progress for the sale of Denbyware's 50 per cent interest in International Ceramics."

Mr. Samuel Phillips, vice president and general manager of TRW Energy Products, a division of the large U.S. quoted TRW Inc. which owns the rest of International Ceramics, confirmed yesterday that discussions were taking place with Denbyware.

International Ceramics is a fast growing company making products for the aircraft industry. In Denbyware's recent half year results it chipped in a profit of £291,000 to what was an overall loss of £48,000 after £245,000 of redundancy costs.

Mr. Phillips would not disclose whether a price had been agreed, but said that if his company took over the whole of International Ceramics it was its intention to keep the manufacturing operation in Denbyware's UK factory.

Mr. Fuller-Shapcott of Minster Trust, advisors to Denbyware, confirmed last night that discussions were taking place but said they had been going on for nearly a year although exchanges between the two companies had intensified in the last couple of weeks.

The defence document revealed an asset revaluation showing £4.62m—some £3.27m in excess of book value.

Crown attempts to throw a different light on the figure by also quoting the valuers' report. Crown says that they gave an opinion of open market value showing £1½m. "If the open market value were used, the excess over book value of the freehold properties . . . would be only £772,000 and not £3,272,000."

Crown's circular goes on to develop the arguments of industrial logic so hotly contested by the Denbyware side. "The proposal to merge Crown House's glassware interests with Denbyware's pottery interests is brimming over with industrial logic," the document claims.

Shareholders can expect Denbyware to reply next week, but meantime the shares held steady in the market yesterday at 90p—10p over the bid price.

Lonrho explains change of heart

BY JOHN MOORE

LONRHO'S controversial chief executive, Mr. "Tiny" Rowland, is not to proceed with his private plan to buy a half share in The Observer, Britain's oldest Sunday newspaper.

Lord Duncan-Sandys, chairman of the multinational trading conglomerate, unveiled the change of plan—Lonrho's fourth change of tactics in its campaign to win control of The Observer—to Lonrho shareholders at yesterday's annual general meeting.

In a carefully worded statement, Lord Duncan-Sandys said "Lonrho in conjunction with its subsidiary Outrams in Scotland, recently entered into a purchase agreement with Observer International, a subsidiary of Atlantic Richfield (ARCO)" the U.S. oil group, "to acquire the entire share capital of the Observer Ltd., owners of the newspaper, subject to the necessary Government consent.

"We were, however, informed that this consent could not be obtained, without an inquiry by the Monopolies and Mergers Commission, which would inevitably involve delay, with the risk of damage to the interests of all parties, and particularly the future of the newspaper and its employees.

"Accordingly, arrangements proceeded for Mr. Rowland in his personal capacity to purchase 50 per cent of the shares of Observer International itself.

"Views have subsequently been expressed that this course could conflict with the spirit of the legislation.

"ARCO and Mr. Rowland have therefore decided not to proceed with this proposal.

"Lonrho will now re-submit its application for a merger to the Secretary of State for Trade to implement the purchase agreement, having received from him an assurance that the commission will be requested to expedite its inquiry as much as possible."

The Monopolies Commission is required to make its report within three months unless there are special reasons for delay.

"We believe that, in a variety of ways, the profitability of The Observer could be appreciably improved, while preserving its editorial independence and unique character, to which we attach the highest importance."

Lord Duncan-Sandys discussed Lonrho's involvement with House of Fraser, the Harrods stores group, which led to a takeover bid.

That bid is now being studied by the Monopolies and Mergers Commission.

"With an investment of £75m and a near 30 per cent shareholding (in House of Fraser, we have a duty to you," he told shareholders, "to do everything in our power to ensure that House of Fraser is run wisely and profitably.

"We have never criticised ther day-to-day conduct of the retailing business, which is in the hands of able managers with long experience. On the other hand we have been much disturbed by their board's recent decisions affecting long-term financial policy, which we regard as unwise and detrimental to the interests of shareholders.

"In this situation, there were two alternatives open to us. One was to seek effective control of the company's policy. The other was to sell our shares and get out."

He went on: "We decided to adopt the first course, and to make a bid for the balance of the shares, which we do not already own. Our action was endorsed almost unanimously by Lonrho shareholders, at the special meeting held earlier this month.

"Since the matter has now been referred to the Monopolies and Mergers Commission, our offer has automatically lapsed. Thus, until the outcome of the enquiry is known, there is obviously nothing further I can say."

Lord Duncan-Sandys said Lonrho's special steel company in Sheffield, Hadfield, was experiencing particular difficulties.

"In addition to the general slump in demand, we and other efficient producers in the private sector are facing unfair competition from the State-owned steel corporation which is supported by massive subsidies of taxpayers' money.

"We have asked the Government to help find some equitable solution to the industry's problems. But these talks have, so far, achieved no positive result," he said.

Lord Duncan-Sandys told shareholders that after the independence of Zimbabwe, "our first and most urgent task is to re-open our oil pipeline from the port of Beira in Mozambique to the refinery at Umtali. Our engineers are working flat out to get the pipeline back into operation."

He warned shareholders that Lonrho would continue "to feel the effects of the general industrial recession, particularly here in Britain."

During a lively meeting of over 600 shareholders an attempt was made by Mr. Tom Ferguson, representing Gulf Fisheries, the Kuwaiti-controlled investment group which is a major shareholder in Lonrho, to stop Lonrho increasing capital from £72.5m to £85m by the creation of 50m new shares of 25p each.

Mr. Ferguson told the meeting that Lonrho currently has 26m uncommitted shares which represent 9.8 per cent of the presently issued and committed shares of the company.

"There is no justification for this increase in share capital," he said, "we intend to vote against this resolution."

In spite of Gulf Fisheries intervention, the motion for increasing the share capital was passed.

In answer to a shareholder's question whether the board were taking any legal action over the acquisition of Dunford and Elliott, Mr. Edward du Cann, a director, said there is "no doubt that the profits forecast was misleading and certainly we will bear in mind your suggestion."

Jacob Rees-Mogg, 11-year-old son of William Rees-Mogg, former editor of The Times, questioning Lonrho, yesterday, on how it could improve profitability at The Observer

Berisford delays decision on British Sugar bid for a week

BY JOHN EDWARDS, COMMODITIES EDITOR

ANY decision on whether the S. W. Berisford group will pursue its takeover bid for British Sugar will be delayed at least until early next week, Gordon Percival, director of Berisford's, said yesterday.

Mr. Percival said the group's Board had worked out an "acceptable form of words" to try and meet the conditions laid down in the Monopolies Commission report, released on Wednesday, which gave grudging permission for the take-over bid to go ahead. But by the time the statement has been approved by lawyers, it is not expected that the Consumer Affairs Minister will be able to give a verdict on whether the group's undertaking meets the two basic conditions demanded by the Commission.

These were that Berisford's would undertake to withdraw from merchanting any Tate and Lyle products, as it does at present, and also would be prepared to run British Sugar as a separate subsidiary, with its own annual report and accounts.

Mr. Percival said it was the first time the Commission had imposed such conditions of this kind so it was entirely new ground. However, they were not permitted to do anything until Ministerial approval has been received.

Commenting on the further rise in British Sugar's share price by 2p to 290p, Mr. Percival said Berisford's had their own idea of the value of the company and they would not allow the market to sway its judgment. He noted British Sugar's shares had already doubled in value since the Berisford bid last May.

Meanwhile, it was confirmed that Mr. E. M. Marguilies, Berisford chairman, yesterday paid a brief courtesy visit on his counterpart at British Sugar, Sir Gerald Thorley.

New move in THF bid for Savoy

BY REG VAUGHAN

Trusthouse Forte, which is locked in a £58m bid battle for the Savoy Hotel group, is today expected to make an application to the court for permission to implement a scheme of arrangement, the success of which could be crucial to its takeover plan.

Through the scheme THF is seeking to invoke Section 206 of the Companies Act in order to call separate meetings of the "A" and "B" shareholders of Savoy to vote on the bid. This plan has already been described by Savoy as "fundamentally objectionable."

Sir Charles Forte, executive chairman of THF, said yesterday that the application for the scheme was being made "in accordance with the rules laid down by law and should go through the courts without any trouble." But he said that if the group met any major obstacles in its plan it would "very probably" go ahead with a general offer.

THF hopes to gain control of Savoy through its "A" shares, which have [illegible] voting power in relation to the number of shares in issue, but still control 51.5 per cent of the votes of the whole group. The directors and associates of Savoy control up to 45 per cent of the votes through a large holding of the "B" shares.

The Kuwait Investment Office holds just over 34.6 per cent of the "A" shares and these have been assented to the THF scheme. A further 15.4 per cent of this class is owned by funds managed by a subsidiary of S. G. Warburg, advisers to THF. If the court approves the THF scheme, a 75 per cent majority of the "A" shares could give THF control of the group.

Savoy, which has already described the offer as "unwelcome and unacceptable" regards the scheme as "a device whereby only part of the Savoy's capital . . . would be used as a means of transferring control of the Savoy company to THF at a price which is wholly inadequate in relation to the company's real value."

Independent directors of Carlton to accept offer

Minority shareholders in Carlton Industries, who collectively hold about 23 per cent of the equity, yesterday received the second offer from Hawker Siddeley for their shares.

The latest offer, which is recommended by the independent directors of Carlton and their advisers, Barclays Merchant Bank, is 278p in cash, about 68 per cent above the original offer made in 1978.

The independent directors, Mr. [illegible], the chairman, Mr. B. Bonfield and Mr. J. Boyd, have stated their intention to accept the offer in respect of their own shareholdings which total 7.2 per cent.

One of the factors behind their acceptance is uncertainty over the future marketability of Carlton's shares. In addition they say Carlton share price "has been supported by the expectation of the 1981 offer."

Prior to the announcement of the second offer Carlton shares stood at 262p.

Hawker currently owns 51.9 per cent of Carlton, which it acquired at a price of 165p per share from London Merchant Securities in 1978. LMS, Hawker and Carlton agreed then that in April 1981 Hawker would make a second offer for the outstanding shares not held by LMS, which would maintain a 26.9 per cent stake. The basis of the second offer was a formula which valued Carlton on the basis of its profits performance in the intervening period.

Hawker has stated it intends to maintain the distinct identity of Carlton within the group.

The offer closes on April 18. If all shareholders accept, the overall cost to Hawker of acquiring over 70 per cent of Carlton will be nearly £40m. The latest offer will involve £16.7m cash.

Cable and Wireless in U.S. expansion

Cable and Wireless, the state-owned telecommunications group, has acquired I-Net, a small U.S. company which operates a specialised data communications network serving 28 American cities.

Terms were not disclosed, but the deal is believed to be worth less than $1m. I-Net, which is based in Dallas, Texas, was previously owned by members of its staff.

The acquisition will add to the existing interests of Cable and Wireless North America, the group's U.S. holding company. These include Carterfone, a terminals supplier, TDX, a telephone management systems company, and Incotel, a software (programming) house.

The British Government plans to offer just under 50 per cent of its shares in Cable and Wireless to private investors later this year.

NCC ENERGY TALKS

Following consultations with the directors of NCC Energy, Mr. Graham Ferguson Lacey, the company's chairman and chief executive, has returned to the U.S. for further discussions with UNC Resources Inc., which has already announced the opening of possible bid talks with NCC.

The NCC directors continue to advise shareholders to take no further action. A full statement is expected to be made next week.

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MINING NEWS

De Beers slows supply of gems to market

BY KENNETH MARSTON, MINING EDITOR

THE SUPPLY of newly mined diamonds to the market is still being reduced by De Beers' Central Selling Organisation in line with its aim of maintaining stable conditions by matching supply to demand as far as possible. It is a policy which inevitably leads to a large increase in CSO stocks.

At this year's third "sight," or selling occasion of which there are 10 a year, it is believed that the selected buyers of rough gem diamonds had their applications sealed down by at least 60 per cent. This follows a reduction of about 20 per cent at the previous sight.

For once virtually all categories of the polished gem market are depressed from the small stones, which have been in over-supply for about two years, to the larger good quality "investment" gems of over one carat which had been holding up well until the second half of last year.

It is reckoned that the going price of the top grade D-flawless stone of one carat is now under $40,000 compared with the peak of $65,000 reache da year ago. At the same time, it must be remembered that where prices of polished diamonds have fallen—the CSO has never cut the prices of roughs—they have done so after a rapid increase in recent years.

Hard times are being experienced in the major cutting centres, Antwerp, Tel Aviv and New York, but not in Bombay which handles the lowest price goods. And matters have not been helped by competition from Russian polished diamonds which have been selling at sizeable discounts, although these sales have fallen off in the past month or so.

Another factor which has been unsettling market sentiment has been talk of a major bankruptcy, rumoured to involve some $40m, at an Israeli cutting firm.

Ironically, the retail jewellery sales have held up reasonably well and it is these that account for just under 90 per cent of the total market sales value, the rest being accounted for by the now-suffering investment market.

But it takes several months for a rough diamond to move through the cutting, polishing and merchanting process that eventually leads to the jeweller's counter. During this period the cutters and polishers have had to finance stocks at high interest rates while wondering just how far the retailers will go to restock the finished goods.

As in so many other commodities the diamond trade is hoping that the picture will improve with a general economic recovery in the second half of this year, but the presence of high stocks suggests that any pick-up will be gradual. The market, however, is eagerly looking for the first signs of better times.

In this mood it has drawn some comfort from the confidence in the longer term shown by America's big Zale retail jewellery group. The latter is considering rescuing the leading West German manufacturer of diamond jewellery, Keller-Christ, which has run into financial problems.

Current talks could lead to Zale buying a major stake in Keller and pumping in extra equity capital to ease the company's liquidity problems. It is worth bearing in mind that West Germany is the third biggest market for diamond jewellery after the U.S. and Japan, while Keller also has sales outlets in Switzerland.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals.

TODAY

Interims:—Capseals, Cope Allman International, Fairview Estates, Macallan-Glenlivet, Malayan Tin Dredging, Pifco, Renong Tin Dredging, Standard Industrial, Wankie Colliery, Wombwell Foundry and Engineering.

Finals:—Catalin, Firmin, Hanger Investments, Home Counties Newspapers, Charles Hurst, Ibstock Johnsen, Lyon and Lyon, Bernard Matthews, Western Motor.

FUTURE DATES

Interims:—

Kalamazoo	Apr. 15
Martonair International	Apr. 14
Newman-Tonks	Mar. 30

Finals:—

Alva Investment Trust	Apr. 6
Aurora	Apr. 8
Blackwood Hodge	Apr. 9
Downiebrae	Apr. 30
Glynwed	Apr. 8
Grattan Warehouses	Apr. 8
Legal and General	Apr. 1
Stone-Platt	Apr. 22
Sykes (Henry)	Apr. 8

CANADIAN ROUND-UP

In the wake of a similar move by its parent company, Dome Mines, Canada's Campbell Red Lake Mines plans a three-for-one stock split, reports John Soganich from Toronto.

At its recent price of around C$63 a share, Campbell, Canada's biggest single gold producer, is valued by the market at about C$1bn (£376m). The shares were split two-for-one in May, 1979, and similarly in May, 1974.

* * *

The Canadian copper producer Craigmont Mines had net earnings for the three months ended January 31 of C$472,000 (£177,000) or 9 cents a share, down from the C$1.82m or 36 cents a share recorded in the corresponding period of the previous year.

* * *

Canada's copper-zinc-lead producing Western Mines made record net profits of C$31.9m (£12m), or C$1.42 a share, in 1980, an increase of 14 per cent on 1979.

The company recently diversified into oil and gas through the purchase of Brascan Resources, and higher prices for these products were the main contributor to earnings.

Nickel demand to rise

CANADA'S Falconbridge Nickel, the country's second largest producer of the metal behind Inco, is looking for an increase in nickel demand later this year.

Mr. H. T. Berry, Falconbridge's chief executive, said in the company's annual report that the current low level of nickel consumption in most of the major market sectors is expected to continue throughout the first six months of the current year, but world economic conditions should improve during the second half.

This should lead to increased activity in the automotive, appliance and energy sectors, resulting in higher levels of nickel consumption, reports John Soganich from Toronto.

Mr. Berry went on to say that in the longer term, the company believes that improved nickel demand will require the start-up of the industry's stand-by capacity, and eventually the installation of new facilities.

The company's performance during 1980 was described as "very gratifying" in view of the severe impact of inflation on operating costs, increased expenditure on exploration and development and a decline in sales.

Net profits for the year were C$71.4m (£26.8m), or C$13.04 a share, a fall of 35 cents on the previous year. The company paid dividends totalling C$3.50, against C$3 in 1979, despite omitting the third quarter payment owing to adverse conditions.

Mr. Berry said that an unexpected downturn in metal markets began to manifest itself in April, and continued throughout the remainder of the year.

The sharp decline in economic activity in the U.S., Japan and Europe resulted in a significant reduction in nickel sales to 94.3m lbs, compared with 137.3m lbs in 1979.

The effects of this were exacerbated by an increase in non-communist world production of about 15 per cent. As a result, producers' stocks of nickel rose to about 400m lbs by the end of the year. Falconbridge accounted for 45.8m lbs of this, a sharp rise on its stocks of 27.2m lbs at the end of 1979.

Despite its poor financial performance last year, the Falconbridge group as a whole managed to raise its spending on exploration by almost 100 per cent to C$28.3m.

Aside from nickel, which provided more than 40 per cent of sales last year, Falconbridge also produces copper, zinc, cobalt and silver.

EUROPEAN OPTIONS EXCHANGE

Series		June Vol.	June Last	Sept. Vol.	Sept. Last	Dec. Vol.	Dec. Last	Stock
GM C	$50	—	—	—	—	5	9½	$55⅛
GM C	$60	5	1¾	—	—	—	—	"
		April		July		Oct.		
ABN C	F.280	10	13.50	—	—	—	—	F.290
ABN C	F.300	12	2.10	9	6	—	—	"
AKZO C	F.17.50	18	3.60	10	4.50	—	—	F.21.10
AKZO C	F.20	50	1.40	185	2.50	6	3.30	"
AKZO C	F.22.50	13	0.40	96	1.30	14	1.90	"
AKZO P	F.20	42	0.30	—	—	—	—	"
AKZO P	F.22.50	44	1.40	15	1.50	—	—	"
AMRO C	F.55	—	—	5	2.50	—	—	F.55.30
HEIN C	F.50	5	10 A	—	—	—	—	F.59
HEIN C	F.55	33	5 A	—	—	—	—	"
HEIN C	F.60	25	1.50	28	3.10	22	4.40	"
HEIN C	F.65	7	0.40	—	—	—	—	"
HEIN P	F.60	5	2	—	—	—	—	"
HOOG C	F.17.50	5	1.20	53	2.10	—	—	F.18.20
HOOG C	F.20	15	0.30	—	—	—	—	
IBM C	$65	2	1½	—	—	—	—	$64
IBM C	$70	2	¼	—	—	—	—	"
IBM P	$60	—	—	1	2	—	—	"
KLM C	F.70	43	28.70 A	52	29 A	11	31	F.97.80
KLM C	F.80	2	18.70 A	30	19 A	20	20.50	"
KLM C	F.90	24	11 B	6	13.50	3	15 A	"
KLM C	F.100	44	5.50 A	16	10.20	—	—	"
KLM C	F.110	87	2.60	56	4.50 A	31	7.50 A	"
KLM P	F.70	—	—	20	0.90	—	—	"
KLM P	F.80	—	—	5	2.30 B	—	—	"
KLM P	F.90	17	2.50	5	4.90	—	—	"
KLM P	F.100	15	7 B	7	10.50	—	—	"
NATN C	F.120	—	—	6	6.80	—	—	F.122.30
NATN C	F.125	3	2	8	4	—	—	"
NATN C	F.130	—	—	3	1.10	—	—	"
NATN P	F.120	2	1.30	—	—	—	—	"
PETR C	Fr.4500	—	—	—	—	2	730	Fr.4890
PHIL C	F.15	1	4.60 B	—	—	—	—	F.19.60
PHIL C	F.17.50	134	2.20	14	2.50	25	2.90	"
PHIL C	F.20	175	0.60	198	1.20	295	1.60	"
PHIL P	F.17.50	—	—	—	—	251	0.60	"
PHIL P	F.20	—	—	—	—	10	1.90	"
POLA C	$35	5	¼	—	—	—	—	$29⅞
PEUG C	F.130	5	22	—	—	—	—	F.151
RD C	F.90	11	8 A	4	10	6	11	F.96.30
RD C	F.95	18	4 A	6	6.50	—	—	F.96.30
RD C	F.100	95	1.90	77	4	14	6	"
RD C	F.110	25	0.30	34	1.40 A	29	2.70	"
RD C	F.120	—	—	5	0.80	—	—	"
RD P	F.90	—	—	15	2.50	—	—	"
RD P	F.95	171	2	16	4.50	—	—	"
RD P	F.100	53	4.50	7	8.50	—	—	"
UNIL C	F.120	2	16.50	—	—	—	—	F.136.50
UNIL C	F.125	2	12 B	—	—	—	—	"
UNIL C	F.130	39	7.30	30	8.50 B	10	9.50	"
UNIL C	F.135	140	3.30	33	4.80	4	5.50	"
UNIL C	F.130	70	0.40	—	—	—	—	"
UNIL P	F.135	2	1.50	—	—	—	—	"
		May		Aug.		Nov.		
BOEI C	$35	—	—	1	5⅝	—	—	$35¼
BOEI C	$40	4	½	4	2¼	—	—	"
BOEI P	$35	2	1½	—	—	—	—	"
SLUM C	$110	—	—	2	8	2	11	$104⅛
SLUM C	$120	11	¾	—	—	—	—	"
SLUM C	$130	—	—	4	1½	—	—	"
VEBA C	DM.130	20	3.50	—	—	—	—	DM130.90
VW C	DM.160	—	—	4	5.70	—	—	DM159

TOTAL VOLUME IN CONTRACTS 3330

A=Asked B=Bid C=Call P=Put

BASE LENDING RATES

A.B.N. Bank	12 %	■ Hambros Bank	12 %
Allied Irish Bk.	12 %	■ Hill Samuel	§12 %
American Express Bk.	12 %	C. Hoare & Co.	†12 %
Amro Bank	12 %	Hongkong & Shanghai	12 %
Henry Ansbacher	12 %	Keyser Ullmann	12 %
AP Bank Ltd.	12 %	Knowsley & Co. Ltd.	14 %
■ Arbuthnot Latham	12 %	Langris Trust Ltd.	12 %
Associates Cap. Corp.	12 %	Lloyds Bank	12 %
Banco de Bilbao	12 %	Mallinhall Limited	12 %
BCCI	12 %	Edward Manson & Co.	13 %
Bank of Cyprus	12 %	Midland Bank	12 %
Bank of N.S.W.	12 %	■ Samuel Montagu	12 %
Banque Belge Ltd.	12 %	■ Morgan Grenfell	12 %
Banque du Rhone et de la Tamise S.A.	12½%	Norwich General Trust	12 %
Barclays Bank	12 %	National Westminster	12 %
Beneficial Trust Ltd.	13 %	P. S. Refson & Co.	12 %
Bremar Holdings Ltd.	13 %	Rossminster	12 %
Brit. Bank of Mid. East	12 %	Ryl. Bk. Canada (Ldn.)	12 %
■ Brown Shipley	12½%	Slavenburg's Bank	12 %
Canada Perm't Trust	13 %	E. S. Schwab	13 %
Cayzer Ltd.	12 %	Standard Chartered	‖12 %
Cedar Holdings	12 %	Trade Dev. Bank	12 %
■ Charterhouse Japhet	12 %	Trustee Savings Bank	12 %
Choulartons	14 %	TCB Ltd.	12 %
C. E. Coates	12 %	United Bank of Kuwait	12 %
Consolidated Credits	14 %	Whiteaway Laidlaw	12½%
Co-operative Bank	*12 %	Williams & Glyn's	12 %
Corinthian Secs.	12 %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	14 %	Yorkshire Bank	12 %
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	14 %		
First Nat. Fin. Corp.	16½%		
First Nat. Secs. Ltd.	16 %		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9¼%. Short term £4,000/12 months 13.35% (no change).
† 7-day deposits on sums of £10,000 and under 9%, up to £50,000 9¾%, and over £50,000 10½%.
‡ Call deposits £1,000 and over 9%.
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10½%.

Companies and Markets

UK COMPANY NEWS

BBA down £7m after loss in UK

DECLINING SALES to the car industry and losses of close to £1m on its UK operations reduced pre-tax profits of BBA Group last year to barely a tenth of their 1979 level.

Contrary to expectations at midway, state the directors, the group suffered a £1.47m loss in the second half, which left the surplus at £850,000, compared with £8m a year earlier.

They do not expect a return to previous levels of profit until the end of the recession. But a reduction of costs, stock levels and borrowings carried out during the second half of 1980 should enable the group to improve its financial results in the current year.

The dividend is cut from 2.63p to 1.74p net with a halved final of 0.9p, and the directors say this level of payment assumes an improvement in trading results during 1981.

Sales of the group, which produces friction materials, conveyor belting and asbestos textiles, slipped from £137.32m to £135.42m. UK sales rose to £66.15m (£64.91m), but overseas companies' turnover fell to £69.27m (£72.41m). Exports were down 6.4 per cent at £16.45m.

At the trading level, profits fell from £14.21m to £9.65m, and higher depreciation of £5.65m (£4.54m) and financial charges of £3.73m (£2.32m) left the operating surplus down from £7.36m to £275,000.

The pre-tax profit, which included associates of £575,000 (£643,000), comprised £1.8m (£4.52m) from overseas activities and a loss of £948,000 (£3.48m profit) in the UK. On a CCA basis, there is a loss of £3.6m against a profit of £4.47m.

Tax takes £1.83m (£2.5m) and after minorities' losses of £475,000 (£169,000 profit) and redundancy payments of £1.49m (nil), the attributable loss emerges at £2m (£5.33m profit).

Dividends absorb £1m (£1.55m), leaving a retained deficit of £3.01m against a surplus of £3.78m.

The loss per 25p share is shown as 0.89p, compared with earnings of 9.32p.

The balance sheet shows that shareholders' funds have fallen by some £6m to £45.72m, reflecting both the adverse trading results and the strength of sterling.

The directors say that strict control of capital expenditure and reductions in current assets in the second half have cut the high borrowings of mid year to produce a satisfactory gearing of 43.5 per cent.

● comment

BBA's figures are worse than anticipated due to a sharp deterioration in August in demand for automotive parts and a collapse in earnings of its main overseas subsidiary, Textar in West Germany. BBA has responded by cutting back its capital expenditure by £2m, reducing overheads by about a tenth, making 1,000 out of its 4,500 UK staff redundant and paring stock levels by nearly 9 per cent. These measures have trimmed gearing from an interim level of 50 per cent to 43.5 per cent. With the redundancy costs behind it, lower borrowings and a further fall in capital spending (expected to be £5m in 1981), BBA appears confident that despite the continued black spots in the UK, it can pay its way in 1981, which explains its decision to pay a final dividend in spite of the cost higher taxes take. The shares, quoted at par, yield 10 per cent.

Mixconcrete finishes down at £1.6m

Lower pre-tax profits on a higher turnover are reported by Northampton-based Mixconcrete (Holdings) for the year to November 30, 1980.

But the final net dividend on the 25p shares remains at 2.5p making the total the same as last year's at 4.5p.

Increased interest charges of £542,119 (£346,282) were a factor in reducing profit from £2.3m to £1.6m. Turnover rose by £5.34m to £45.47m.

Tax paid was £767,810 (£1.29m). After minorities, £19,588 (£38,961) and extraordinary item, £259,170 (£399,797), retained profit was £740,733 against £1.08m last time.

Earnings per share dropped from 11.51p to 9.26p.

At midterm, with pre-tax profit — £731,000 — more than double that for the comparable period.

Leyland Paint falls as recession bites

THE SEVERE recession and the strength of sterling reduced the pre-tax profits of Leyland Paint and Wallpaper by over 70 per cent from £1.68m to £426,000 for 1980.

But the group had recovered from a first-half loss of £296,000, and is paying a reduced dividend of 1p, against 3p previously.

The directors say they intend to restore the dividend to its previous level when profits improve. Earnings per 25p share fell from 12.9p to 4.8p.

The taxable surplus, on increased sales of £38.85m (£36.66m), was after higher interest charges of £896,000 (£483,000).

Retained profits were after a tax credit of £334,000, against a credit last time of £376,000, and etraordinary deductions of £327,000 (£227,000).

The chairman says the results reflect the difficult trading conditions together with certain management problems which have since been rectified.

In common with many sectors in industry, the company has had to contend with severe destocking and reduced margins. The high value of sterling and foreign competition have also reduced exports.

The chairman says the group is now in a better position to take advantage of any economic recovery when it comes and, in the meantime, continuing efforts are being made to contain costs and improve efficiency.

After current cost adjustments, there was a pre-tax loss of £571,000 against a profit of £764,000 in the previous year.

Manders improves to £3.4m

A HIGHER contribution from its industrial division, which achieved success in overseas markets, helped Manders (Holdings) to increase 1980 pre-tax profits from £2.85m to £3.38m, on turnover of £34.87m, against £30.97m. There were, however, substantial reductions in results from decorative and printing ink activities in the UK.

Property profits, at £1.65m (£0.6m), reached the levels forecast earlier and are expected to rise to £3m in 1981. In September, when reporting first-half group taxable profits ahead at £1.45m (£1.3m), the directors estimated that profits from the property company would be about £1.4m for the full year.

Profits from UK trading operations were down from £1.93m to £1.4m, while overseas trading profits rose slightly to £326,000 (£317,000).

Tax charge for the year more than doubled from £0.61m to £1.31m and after minorities and extraordinary items, the attributable balance was lower at £1.98m, compared with £2.14m.

Earnings per 25p share dropped from 14.9p to 13.6p, while a final dividend of 3.5p raises the total net payment from 4.4p to 4.8p per share.

On a current cost basis, taxable profits for 1980 were £2.59m.

Long leaseholds have been revalued at £15.45m and the surplus of £6.43m has been incorporated in the balance sheet.

The group's interests comprise manufacturing paint and printing ink, factoring wallpapers and decorators' requisities and property investment.

Wm. Boulton in the red midway

FEARS expressed by the Board at the last year end that the William Boulton Group would incur a loss in the first six months of the current year have been borne out. It reports a pre-tax loss of £487,000, compared with a profit of £294,000, for the half-year to December 31, 1980.

Turnover fell from £13.06m to £11.8m. No interim dividend on ordinary shares will be paid against 0.5p last time. A dividend will be paid, however, to preference shareholders.

The directors say the outlook for the second six months does not show any improvement. A rationalisation programme is being undertaken involving restructuring the majority of the larger operating companies of this founder and manufacturer of machinery.

The costs involved in the first six months, shown as an exceptional item, were £93,000. The financial benefits of this exercise will not be felt until the latter half of 1981.

The Board says it is not possible to forecast results to the end of the current financial year, but it expects to be trading profitably in 1981-2.

The pre-tax loss was after depreciation down from £223,000 to £174,000, interest charges up from £353,000 to £424,000 and the exceptional costs.

There was a tax credit of £165,000 against a charge of £90,000 last time.

The Board says no interim dividend is being paid in view of trading results and the uncertain economic climate. When full results for the year are known, the dividend policy will be decided and based on its view of the future trading situation.

APPOINTMENTS

Sears Holdings deputy chief executive

Mr. Colin M. Marshall has been appointed a director and deputy chief executive of SEARS HOLDINGS from April 6. Until recently he was executive vice-president of Norton Simon Inc. in New York.

From 1951 to 1958 Mr. Marshall was with Orient Steam Navigation and he then joined Hertz in Chicago, moving to London in 1961 as general manager, UK.

Mr. Marshall went to Avis in 1964 as the company's first regional manager for Europe and in 1966 he was elected a vice-president of Avis Inc. In 1971 he was promoted to executive vice-president and chief operating officer at Avis world headquarters in New York. He became president in 1975 and in 1976 was appointed chief executive officer. In July 1977 Avis was acquired by Norton Simon Inc. Mr. Marshall was made executive vice-president of Norton Simon Inc. in 1979.

Men and Matters Page 24

Mr. W. E. Randall, deputy chairman and group managing director of CHUBB AND SON, is to become chairman in place of Lord Hayter, who retires from the Board on April 25. Mr. Brian D. Lamming, joins the Board on April 1 and will be appointed group managing director on May 13. Mr. Lamming has resigned as a senior executive of Thomas Tilling.

★

Mr. Richard Eddis will become senior partner of STEPHENSON HARWOOD on May 1 in succession to Mr. Leonard Prouten who will remain a partner in the firm. On the same date, Mr. Bruce Duns and Mrs. Deborah Knight, who have been associated with the firm for some time, will become partners.

★

Mr. Michael H. F. Morley, group managing director—corporate and strategic investments, the Charterhouse Group, has also been appointed chairman of CHARTERHOUSE CORPORATE INVESTMENTS.

★

Mr. J. P. MacArthur, a director of Kleinwort Benson is to become a non-executive director of CLIVE DISCOUNT HOLDINGS on April 1. He will succeed Mr. M. C. Rawlence, who retires as a non-executive director at the end of this month.

★

Tunku Dato' Ahmed bin Tunku Yahaya and Mr. M. J. Dowdy, director of operations and finance director, respectively, of Sime Darby Berhad, have been appointed to the Board of SIME DARBY LONDON, a subsidiary.

★

Mr. P. E. Hammond has been appointed a director and chairman of ANTONY GIBBS SAGE. Mr. T. M. Gange retired as chairman at the end of last year but remains chairman of Anton Underwriting Agencies. Mr. Hammond is an executive director of the Hongkong and Shanghai Banking Corporation.

Mr. J. R. Millner, insurance adviser to Hongkong and Shanghai Banking, joins the Board of Antony Sage Gibbs and Mr. D. Carrington will become a member of that Board as financial director on April 1.

★

Mr. Eric G. Everett and Mr. Garth M. Ramsay have become non-executive directors of BRITISH UNDERWATER ENGINEERING. Mr. Everett, who retired from Shell (UK) Exploration and Production in 1977, is a director of Pentland Oil Exploration. Mr. Ramsay has been appointed as the representative of North Sea Assets and is a director of Ivory and Sime. British Underwater Engineering was formed in March 1979 by the acquisition of the majority of the offshore interests of Vickers.

★

Mr. R. Pawsey has joined the Board of JOHN LAING CONSTRUCTION as a joint managing director and Mr. K. J. Gilder, Mr. P. E. T. Spencer and Mr. J. M. K. Laing have also been made members of the Board. Mr. Pawsey and Mr. Gilder are managing director and assistant managing director respectively of John Laing International. Mr. Spencer will be responsible for contractual services. Mr. J. M. K. Laing is on the parent Board of John Laing and a director of John Laing International. Mr. G. O. Whitehead, a director of John Laing Construction, is appointed as managing director of the company's UK civil engineering division. Mr. J. Baxter, a joint managing director of John Laing Construction, will be responsible for the development of Laing civil engineering work overseas.

★

Mr. John Chelsom has been appointed director, facilities and general supplies, FORD MOTOR COMPANY, suceeding Mr. Bob Drake, who has retired.

BUSINESSES FOR SALE

FOR SALE
BUILDING COMPANY
with
LARGE HOUSING LAND BANK
OF APPROX. 1,000 PLOTS
WITHIN 4 MILES OF LARGE MIDLAND CITY
Good reputation, profits and accounts
CASH PURCHASE ONLY APPROX. £4-5,000,000
Principals only to apply:
Box G6965, Financial Times, 10 Cannon Street, EC4P 4BY

METAL ENCLOSURES COMPANY
FOR SALE
A Company manufacturing high quality sheet metal enclosures and fabrications to fine tolerances on a sub contract basis is available for sale in the West Midlands. The Company has a turnover in excess of £1m per annum and occupies a 4-acre site with the attraction of a skilled workforce and excellent contacts with multinational Companies.
Further details apply (principals only).
Box G7011, Financial Times, 10 Cannon Street, EC4P 4BY

FOR SALE
Rollerskating Rink (Rollerdisco)
Good Profits and scope for expansion.
Humberside.
Write Box G7000, Financial Times,
10 Cannon Street, EC4P 4BY

SAWMILL FOR SALE
Modernised sawmill in Devon with year-old Braun equipment for softwood processing, plus older hardwood sawmill machinery.
15,000 m³ per annum capacity on one shift operation.
Located on 4-acre site near Honiton with 13 years of lease remaining—possibility to acquire freehold.
17,000 sq ft of mill and office space.
Adequate spares in stock plus two articulated lorries, and two fork-lift trucks.
Original workforce could be available for re-engagement.
Contact:
Ian McIsaac
TOUCHE ROSS & CO.
PO Box 137, Hill House
1 Little New Street
London EC4A 3TR
Telephone: 01-353 8011
Telex: 261064

SOFT FURNISHING COMPANY FOR SALE
SABRE provides a complete Soft Furnishing Service making up top quality furnishings for Interior Decorators, Designers, Architects and Government Department.
Turnover £42,000 per annum
(Staff of 4)
1,800 sq ft Freehold Property
OFFERS OVER £29,000
Contact:
Mr. Quinn, 24 Barony Street
Edinburgh EH3 6NY
Tel: 031-557 2828

Established
INJECTION MOULDERS
SOUTH-EAST ENGLAND
Engaged in contract injection moulding of special electrical and engineering components, household goods, etc. Modern fully equipped long leasehold works.
T/O £885,000 P.A.
Principals only write Box G7013, Financial Times, 10 Cannon Street, EC4P 4BY.

RECENTLY ESTABLISHED
cavity wall insulation division of holding group for sale comprising of 3 sole licensed areas—North London and suburbs, South London and suburbs including Surrey, Sussex. The product is a superior dry fill cavity wall insulation which can be sold competitively.
Write Box G7002, Financial Times, 10 Cannon Street, EC4P 4BY.

COMPANY FOR SALE
PRECISION METAL FABRICATOR
for the Electronic and Defence Industries
BIRMINGHAM
Turnover approx. £400,000.
Please write to:
Charterhouse Japhet (Midlands) Limited
Beaufort House, Newhall Street,
Birmingham B3 1PB.

PLASTICS COMPANY FOR SALE
Plastic moulding and tooling company in southern England. Factory (10,000 sq ft) well equipped with modern machinery and tool room for manufacture and assembly and precision engineering on behalf of substantial customers. 30 employees. Latest financial year turnover £400,000 approx.
Enquire Box G7014, Financial Times
10 Cannon Street, EC4P 4BY

The assets and business of a well established
SAW MILL
specialising in native timber, situated in the north-west of England. The mill has a capacity of some 20,000 cu. metres of sawn timber per annum.
For further details please contact: G. J. Watts or M. D. Kerr, Touche Ross & Co., P.O. Box 500, 74 Mosley Street, Manchester M60 2AT. Tel: 061-228 3456.

FOR SALE OLD ESTABLISHED ANIMAL BY-PRODUCTS CO.
Situated in Isle of Man - Incorporating Knacker's Yard
Throughput includes Abbattoir Offal, Butchers' Waste and Fallen Animals. Raw Material throughput averages 2,000 tonnes per annum.
Produces Meat and Bone Meal, Tallow, Hides, Raw Meat for Pets (aggregating 675 tonnes per annum approx.)
Enquiries to:
ASHWORTHS' PRODUCTS LTD.
Rosehill Refinery, Sough Road, Darwen, Lancs BB3 2HA.
Tel: Darwen 71513.

NORTH CORNWALL
Valuable 2-acre site with planning permission for 50 Touring Caravan/Camping Units. Idyllic surroundings close A39 trunk road and beaches. Auction 24th April, 1981. Price guide £35/£40,000.
May, Whetter & Grose,
Tregonissey House,
St. Austell. Tel: 3501.

LIGHTING MANUFACTURER FOR SALE
Well established company, manufacturing domestic lighting and selling to a wide range of customers throughout the UK. Current turnover is £750,000 approx., which is highly profitable.
Enquiries to Box G6998, Financial Times, 10 Cannon Street, EC4P 4BY.

EXTREMELY LUCRATIVE business of a holiday flats together with a substantial family house for the proprietor set in delightful rural surroundings on the borders of Yorkshire Dales National Park. House comprises Hall, 2 Reception Rooms, good Kitchen, Utility Room, 4 Bedrooms (1 with en suite Shower Room), Bathroom and w.c. Each flat consists of Lounge and Dining Area, 1 Double Bedroom, Kitchen, Bathroom. All fully furnished. 2½ acres of land included. Expected rents in excess of £10,000. Ref. 7518. For further particulars apply THOMPSON MATTHEWS, 69 Stricklandgate, Kendal. (Tel: 21751)

GOODWILL AND ASSETS FOR SALE—Long established West Country Food factory specialising in widespread distribution of frozen Cornish pasties, etc. Factory premises of 7,500 sq. ft. on long lease. Turnover approximately £400,000. Modern well maintained plant. Full details Box G.6981, Financial Times, 10, Cannon Street, EC4P 4BY.

EXCELLENT DESIGN HI FI Extension Loud-speaker Now Developed. Moulds Existing And Product Selling. Requires Marketing Expertise. Genuine Reason For Company Sale. TRIVOX LTD., P.O. Box 33, Chester.

Are you selling or seeking a business?

This advertisement received 75 enquiries

MANUFACTURING ENGINEERING CO. FOR SALE
Small but solidly based company sees expansion and seeing management problems looming. Contact is sought with individuals or an organisation willing to take over. Company has own products and trade mark with numerous contacts home and overseas. Freehold factory and offices south of London. Staff fully co-operative. No financial problems.
Write Box, Financial Times, 10, Cannon Street, EC4P 4BY.

Rate to advertise £22.50 pscc. 3cm x 1 col. min.
Box number £5.00
Copy in writing together with pre-payment
For further information:
Tel: 01-248 5284 DIANE STEWARD

FISH FARM FOR SALE
CARGENGLEN TROUT FARM
The unit comprises a capacity for 10 to 15 tons of table production of 1½m fingerling. Being in an excellent tourist area there is a good retail trade. Overlooking the farm there is a first-class building site with planning permission in principle for one dwellinghouse. A dormer bungalow on an adjacent site can also be purchased.
Further particulars are available from:
Solicitors Property Centre for S.W. Scotland,
86 High Street, Dumfries. (0387) 4010.
Offers should be lodged with
Walker & Sharpe, Solicitors, 37 George Street, Dumfries. (0387) 67222.

By Order of the Receiver and Manager, Roger Cork
We are instructed to sell as a Going Concern:
A HIGH-CLASS REPRODUCTION FURNITURE COMPANY
based in East London with good orders (approximately 80% export). Leasehold factory approximately 18,000 sq ft, turnover approximately £440,000. Fully equipped with plant, machinery, stock, etc., including goodwill.
For details apply:
Bairstow Eves
Provincial House, 218/226 Bishopsgate, London, EC2M 4QD
Tel: 01-377 0137

N.W. PROPERTY CO.
FOR SALE
TAX LOSSES
IN EXCESS OF
£¾m
Principals only.
Write Box G6996, Financial Times, 10 Cannon Street, EC4P 4BY.

FOR SALE IN MIDLANDS
Business manufacturing small sit-on craft giving the cheapest form of water skiing. Also some sub-contract glass fibre work. Freehold of site and building available.
Write Box G7005, Financial Times, 10 Cannon Street, EC4P 4BY.

WINE STORE & POST OFFICE
Fourteen years ago a stockbroker retired through ill-health and bought a late-Georgian house-cum-Sub Post Office in 2 acres of West Berkshire countryside. He built up a flourishing wine business to augment the £9,000 p.a. from the Post Office. Now finally retiring, he wishes to hand over to someone who enjoys wines, the country life and country people. Considerable scope for expansion.
Write Box G.7009, Financial Times, 10, Cannon Street, EC4P 4BY.
Freehold £98,000 for quick cash sale

EAST MIDLANDS SPORTS SHOP FOR SALE
Good position in busy market town. Low overheads. Good lease. Store-plan fitted. Flat or offices on first floor. T/O £140,000 + AND GROWING! Suit private investor or acquisitive group. Offers £50,000 + S.A.V. Principals only.
Write Box G7007, Financial Times, 10 Cannon Street, EC4P 4BY

CONFERENCE/SEMINAR COMPANY
Sponsoring, Organising and Publishing up-to-date information for the professions, business and industry within the UK and Europe would be interested to hear from other companies wishing to diversify or expand into this field. T/O £½m p.a.
Write Box G6999, Financial Times, 10 Cannon Street, EC4P 4BY.

E.E.C. LICENSED POULTRY PROCESSING PLANT
SOUTH COAST
Current sales 15,000 broilers and rising, seeks additional working capital in the region of £50,000 in exchange for a share in the equity, to take advantage of new opportunities opening up within the next few months.
Written Enquiries to:
Price & Co.
32 Gildredge Road, Eastbourne,
BN21 4SH

HOTELS & LICENSED PREMISES

FREEHOLD PURPOSE-BUILT HOTEL
LONDON
57 Bedrooms, all with private Bath & WC
Restaurant - Bar - Lounge - Conference Room
Car Parking - Lift - Central Heating
All enquiries: CHRISTIE & CO 32 Baker Street, W1
Tel: 01-486 4231

MIDLANDS
53-bedroomed Hotel all with private bathroom. Three bars, 80-seat restaurant. Banqueting and Conference rooms. Large car park. T/O £700,000. Freehold. For sale or might lease. Principals only.
Write Box G7006, Financial Times, 10 Cannon Street, EC4P 4BY.

ISLE OF WIGHT
Seafront Hotel with about 50 bedrooms and extensive supporting accommodation including bars, restaurant, lounges, cafeteria, management flat and car parking. Within yards of the beach and having panoramic southerly views over the English Channel. Virtual freehold including contents £195,000.
Apply: KNIGHT FRANK & RUTLEY
London Office (tel: 01-629 8171).
Ref: (KWS/91882)

BUSINESSES WANTED

GENERAL CONTRACTING COMPANY—
Intent on Growth
Our Client who is a long established General Building Contractor specialising in industrial and commercial work wishes to extend its areas of operation by merger with, or acquisition of, a company in similar or allied fields.
Prime areas of interest are Southern England, East Midlands and Glasgow/Edinburgh. Preferred range of turnover is likely to be between £4m to £10m per annum.
Enquiries should be sent to R. J. M. Shelton, Senior Partner, who is acting as adviser to the Company. All information will be treated in confidence and not disclosed to our Client without permission.
URWICK, ORR & PARTNERS LIMITED,
134 Buckingham Palace Road, London SW1A.
Telephone 01-730 0193

£1 MILLION AVAILABLE
Public company wishes to purchase businesses in the following fields and have over £1 million available:
Insurance Broking
Wholesaling/Distribution
Retailing
Small Engineering
Storage/Warehousing
Security Systems
If you are interested, please telephone L. H. Barnes or M. J. Teacher at 01-486 2234 or write for our attention at
3 Wimpole Street, London W1H 9DE

EXPANDING ELECTRONICS COMPANY
To maintain the growth of this young company we are seeking to acquire whole or majority shareholdings of established companies operating in electronics or engineering fields but now facing liquidity problems. This will be of particular interest to retiring shareholders or larger groups seeking divestment.
Key criteria include: profitable product line, turnover £200K-£1m p.a., S.E. England location. It is expected that all competent members of the management team would be retained to play an important part in the future of the strengthened company.
Replies in strictest confidence to Box G6967, Financial Times 10 Cannon Street, EC4P 4BY

CONSUMER PRODUCTS
Private manufacturing company wishes to purchase a company making products for the D.I.Y., Ironmongery, Pet Accessory or Garden markets, turnover up to £750,000 c. Profitability not important. Very high price will be paid for suitable situation. All replies from principals will be acknowledged. Please send details in confidence to:
The Chairman, Box G7010, Financial Times, 10 Cannon Street, EC4P 4BY.

SUBSTANTIAL PRIVATE COMPANY
wishes to acquire a controlling interest in a UK trading company with UK taxable profits of £100,000 per annum. Areas of interest include: London, South West or North East. Import, Export or Distribution. Electronics, leisure, pubs and clubs. Security and control equipment.
Please reply to Box G6993 Financial Times 10 Cannon Street, EC4P 4BY.

LUXTON & LOWE LTD
Specialist Agents in the
SALE & PURCHASE OF HOTELS/CATERING & NURSING REST HOMES
Urgently require sound businesses of all types to meet steady demand
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WE ARE PREPARED TO PURCHASE OUTRIGHT MOST TYPES OF BUSINESSES PREFERABLY IN THE NORTH WEST
Kindly send details in first instance to Box G7004, Financial Times, 10 Cannon Street, EC4P 4BY.

SOUTHAMPTON SHIPPING COMPANY
with own Transport, Warehousing and Open-Storage Facilities, seeking to expand its Forwarding Activities, wishes to acquire Freight Forwarding Company with one or more offices in Southern England.
Write Box G7008, Financial Times, 10 Cannon Street, EC4P 4BY.

WANTED
Manufacturing Company, Paper Print or Plastics preferably Southern England. Profitable well established privately-owned Company wishes to acquire whole or majority stake. Turnover £250,000 to £2m. Company must be well managed and capable of growth by addition of marketing strength and finance. Co-operation with us would suit proprietor seeking retirement.
Write Box G.7001, Financial Times, 10, Cannon Street, EC4P 4BY.

COMPANY WANTED
Formed before 1965 but having trade continuously since then. Any trade considered, preferably wholesaling or retailing.
Tel: Crayford 527105
Or write to:
15 East Woodside, Bexley
Kent DA5 3PG

ELECTRICAL CONTRACTOR wanted for purchase by major publically quoted contracting company. A viable electrical contracting business with continuity of management. Location South East England area. Write Box G.7003, Financial Times, 10, Cannon Street, EC4P 4BY.

Seagram wins court halt to St. Joe bid defence

BY PAUL BETTS IN NEW YORK

CANADA'S SEAGRAM Company, the world's largest distiller, has won another round in its battle to take over St. Joe Minerals Corporation, the leading U.S. lead producer with diversified mining interests and substantial oil holdings.

This follows the decision of a Federal Judge in New York to issue a temporary restraining order to prevent St. Joe going ahead with a series of complex proposals aimed at blocking Seagram's $2bn bid.

St. Joe, which has described Seagram's current offer of $45 a share for all St. Joe common stock as "grossly inadequate," announced earlier this week a plan to buy back up to 40 per cent of its shares at $60 each, sell its Canadian oil interests and, if all else fails, liquidate the company to thwart Seagram's bid.

But in a strongly worded statement, Mr. Milton Pollack, the Federal Judge, said he was "outraged" by the St. Joe proposals. He said: "It was inconceivable that an alleged flourishing enterprise has authorised its board to subject the assets and charter of the company to a scorched earth policy to be accomplished in the name of an exercise of business judgement."

The judge made his remarks during a Court hearing in which Seagram sought an injunction against St. Joe's proposals to block its takeover bid.

The judge's temporary order stops St. Joe from going ahead with any attempt at liquidation and from proceeding with its plan to buy back shares.

But the order was not a complete defeat for the mining and minerals group. Mr. Pollack ruled that St. Joe could still negotiate with other parties for a possible friendly takeover and that it could also negotiate the sale of any of its operations.

St. Joe has already announced it plans to sell its 92 per cent stake in Candel Oil, a Canadian oil and gas company, in a deal which could raise as much as $500m.

During the hearing, lawyers acting for Seagram contended that St. Joe's proposals were a device to inflate the company's share price. The Court also heard that the directors of St. Joe had acted to boost management retirement and stock option benefits. A Seagram lawyer described the move as "a parting gift" to St. Joe management.

St. Joe is appealing against the decisions of the Judge, who has scheduled another hearing on the issue for next Wednesday.

DFDS to run German ferry group

By William Hall, Shipping

DFDS, the Danish ferry company, is to take over the management of the Hamburg-based Prins Ferries. The deal marks the latest move in a major rationalisation of the North Sea ferry market.

Last week DFDS announced that it was taking over the North Sea operations of Sweden's Tor Line.

DFDS has taken a financial interest in Prins Ferries, which operates two car ferries between Harwich and Hamburg-Bremerhaven. DFDS began co-operating with Prins Ferries last May on a joint freight service between Harwich and Hamburg.

Engelhard may spin-off industrial operations

BY OUR NEW YORK STAFF

ENGELHARD Minerals and Chemicals, the U.S. metal marketing and fabrication company 27 per cent owned by a Bermuda offshoot of Anglo American Corporation of South Africa, is considering spinning off most or all of its industrial and mining operations to its shareholders.

The company said it would separate from the Philipp Brothers division, one of the world's largest traders of minerals, metals, fuels and other commodities, the two divisions which include its industrial and mining interests. These include a substantial stake in Canada's Beaufort Sea Oil leases acquired by Engelhard last year from the Hunt Brothers through a silver-for-oil swap.

Engelhard said that in 1979 the revenues from the two industrial divisions which may be spun off were 10 per cent of the $18bn total.

In 1979, the two divisions accounted for 14 per cent of the total $503m pre-tax earnings. In 1980, pre-tax earnings were $702m and net earnings $352m.

Engelhard's announcement came after the suspension of trading in its stock in New York on Wednesday because of rumours that the company was about to make a major acquisition. Trading was later resumed.

Aetna to increase insurance premiums

By David Lascelles in New York

Aetna Life and Casualty, the largest non-mutual insurance company in the U.S., said yesterday that conditions in the U.S. property and casualty market had become so bad that it would have to increase premiums, even at the risk of losing business.

It gave no indication of the size of the increases, which will have to be approved State-by-State. But a spokesman said they would be "substantial." The move is expected to lead to an industry-wide price increase, the first major one for several years.

In a letter to its agents Aetna said that competition in insurance had reached a level of "unparalleled intensity" and that premium income had begun to decline. Based on underwriting results in the first two months, it expects "a very unsatisfactory first quarter result," after the pre-tax underwriting loss of $217m it incurred on property and casualty business in 1980.

"Without significant corrective action we see inevitable and considerable deterioration in our 1981 underwriting results as a whole."

The U.S. insurance business is currently going through one of its cyclical lows, and all underwriters are having a tough time. But pressures are worse than in previous cycles because of a combination of rising costs, worsening loss experience and intense competition caused by an abundance of underwriting capacity.

Aetna said the premium increases were essential if the company was to return to an "acceptable underwriting basis" and remove the destructive excesses which could cause lasting damage to both the industry and the public.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday, April 14.

Closing prices on March 26

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¾ 88	75	96½	97	0	−0⅞	13.99
CECA 11½ 88	100	88½	89	+0⅛	−1⅞	14.08
CNE 12¾ 91	100	92¾	93¼	+0⅛	−1⅛	14.09
Citicorp O/S Fin. 10 88	300	85¼	85¾	+0⅛	−2⅛	14.04
Citicorp O/S Fin. 12 87	200	91½	92	+0⅛	−1⅞	13.96
Con. Illinois O/S 9¾ 86	150	83¾	84¼	−0⅛	−1¾	14.24
Denmark 11⅛ 90	100	85⅝	86⅛	+0⅛	−1⅛	14.62
Dupont Canada 13½ 91	85	96⅜	96⅞	−0⅛	−1¼	14.14
EEC 11 95 (May)	75	81	81½	+0⅛	−1¼	14.12
EEC 11 95 (August)	70	79¾	80¼	+0¼	−0⅞	14.28
EIB 13¾ 90	100	97½	98	+0¼	−1⅛	14.18
Eksportfinans 9½ 87	75	91⅞	92⅜	+0⅛	−1½	13.91
Eldorado 13⅞ 86	50	96⅛	96⅝	0	−1¼	14.31
Elec. de France 10 88	125	82⅝	83⅛	+0⅛	−1⅛	13.86
Elec. de France 13 88	125	95⅛	95⅝	+0⅛	−2⅛	14.07
Export Dv. Cpn. 12¾ 87	100	95⅛	95⅝	+0⅛	−1⅛	13.89
Export Dv. Cpn. 9½ 86	150	83¾	84¼	+0⅛	−1⅛	14.30
Fed. Bs. D. 12⅞ 85 (N)	50	93½	94	+0⅛	−1½	14.12
Fin. Exp. Credit 10½ 85	50	86⅞	87⅜	0	−0⅞	14.78
Finland, Rep. of 9½ 86	100	82⅛	82⅝	0	−0½	14.74
Ford Credit O/S 14⅜ 83	150	98⅞	99⅜	+0⅛	−0⅞	14.94
Ford Cr. O/S Fin. 16 84	150	103⅛	103⅝	+0⅛	−1⅞	14.44
Gaz de France 13½ 86	80	97⅞	98⅜	+0⅛	−2	14.02
GMAC O/S Fin. 12 87	100	90⅜	90⅞	+0⅛	−1⅛	14.25
GMAC O/S Fin. 12⅞ 88	100	92½	93	+0⅛	−1¾	14.59
Gen. Mtrs. O/S 11⅜ 87	100	89⅛	89⅝	+0⅛	−1⅛	14.31
GTE Fin. 13¾ 86 (WW)	50	98¾	99¼	+0¼	−0½	14.01
Hudson's Bay 11½ 90	75	85⅝	86⅛	+0⅛	−1½	14.33
IBM Wld. Trade 12½ 88	200	95⅝	96⅛	0	−2⅛	13.44
Newfoundland 13½ 90	60	96⅛	96⅝	+0⅛	−0⅜	14.22
Nova Scotia 10¾ 90	50	82⅜	82⅞	+0⅛	−1¾	14.20
OKB 10 85	50	88¼	88¾	+0¼	−0⅛	13.66
Ontario Hydro 13½ 91	100	96⅜	96⅞	0	−1⅛	14.13
Quebec Hydro 11½ 92	100	84½	85	+0⅛	−0⅝	14.29
Queb. Hy. 13 91 (WW)	100	93½	94	0	−0⅜	14.19
Roylease 11⅞ 85	50	90⅝	91⅛	+0¼	−1⅛	14.23
SNCF 12⅞ 85	50	95½	96	0	−1⅛	13.76
SNCF 13 91	75	94⅛	94⅝	0	−1⅞	14.07
Sven Handelsbk 13¾ 88	45	95⅞	96⅜	+0⅛	−1¼	14.86
Sweden 12⅞ 85	150	94½	95	+0¼	−0⅞	13.97
Swed. Ex. Credit 12 83	90	93⅞	94⅜	0	−0⅞	14.86
Swed. Ex. Credit 13 86	75	95	95½	−0⅛	−1⅞	14.40
Tribune O/S Fin. 14 86	50	98⅛	98⅝	+0¼	−1	14.47
World Bank 9¾ 85	200	87⅛	87⅝	+0⅛	−1⅛	13.82
World Bank 10¼ 87	300	85⅜	85⅞	+0¼	−1⅛	13.81

Average price changes... On day +0⅛ on week −1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asia Dev. Bk. 8⅛ 90	100	90¾	91	+0¼	−0⅝	9.92
Australia 8⅛ 90	250	93⅞	94⅜	+0⅛	−1⅛	9.11
Austria, Rep. of 8¾ 92	150	88⅞	89⅜	+0¼	−1⅛	9.84
BFCE 8⅝ 95	100	87¼	88	+0⅛	−0⅝	9.79
CECA 7⅞ 92	150	87⅜	88⅛	0	−1	9.64
CII-Honeywell 8⅞ 90	125	91	91¾	+0⅛	−1	9.81
Denmark 8¾ 92	100	88⅞	89⅝	−0⅛	−0⅝	9.90
EIB 8½ 90	200	91⅜	92⅛	−0¼	−1⅛	9.86
ESCOM 9½ 87	100	93½	94¼	+0⅛	+2	10.56
Iberduero SA 9 90	100	90⅝	91½	+0⅛	−1⅜	10.52
Ind. Bk. Finland 8½ 90	50	90½	91¼	+0⅛	−0⅞	10.01
Japan Air Lines 8⅛ 87	100	92⅞	93⅝	0	−1	9.53
Japan Dev. Bank 7⅛ 87	100	90⅛	90⅞	+0¼	−0½	9.66
Kobe, City of 8 90	100	89⅝	90⅜	0	−1⅛	9.67
Midland Int. Fin. 8½ 90	180	93⅜	94⅛	+0⅛	−0⅝	9.51
Norway 7½ 85	250	93⅝	94⅜	+0⅝	−0⅞	9.43
Nuclebras 9¾ 88	100	88	88¾	0	+1	12.18
OKB 8¾ 92	150	89½	90¼	+0⅛	−0⅛	9.76
Oslo, City of 8⅛ 90	80	96⅛	96⅞	0	+0⅞	9.34
Venezuela, R. of 9¾ 90	150	94⅛	94⅞	0	−0½	10.67
World Bank 8 90	700	88⅛	88⅞	+0¼	−1⅛	9.93
World Bank 10 86	150	103⅛	103⅞	−0⅛	+0⅛	9.10
World Bank 10 90	200	102⅝	103⅜	−0⅛	+0⅛	9.49

Average price changes On day +0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Rep. of 5⅞ 90	100	†93	94	+0½	+0⅜	6.31
BFCE 6½ 91	100	101⅛	101⅞	−0½	−0⅞	6.32
Bayer Int. Fin. 5¾ 92	100	91⅛	91⅝	+0⅛	−1⅛	6.34
Bergen, City of 6 90	50	97½	97¾	+0⅛	+0⅞	6.35
Bührm'n-Tetterode 7 90	40	†101½	102	−0⅛	0	6.73
Copenhagen Tele 5¾ 90	60	†91½	92	+0⅛	0	6.96
Denmark 5¾ 90	80	91⅛	92	+0⅛	+1	6.96
Dome Petroleum 5¾ 91	100	95⅛	95⅝	0	+1⅛	6.38
Elec. de France 5¾ 90	100	92½	93	+0⅛	−0⅝	6.28
Eurofima 5¾ 92	80	†99½	100	+0⅛	0	5.78
F. G. H. Hypo. Bk. 6 90	50	†96	97	0	+0¼	6.51
Finland, Rep. of 5⅞ 90	80	91	91½	−0¼	0	6.91
Int.-Amer. Dev. 7 90	80	100⅛	100⅝	−0½	−0⅝	6.92
Japan Dev. Bank 5¾ 90	100	94⅜	94⅞	−0⅛	+0¼	6.50
Jutland Tele. 5½ 90	50	†90	91	0	+0¼	6.97
Mt. Blanc Tunnel 5½ 90	60	†92½	93	0	0	6.55
Neweg 5¾ 90	80	†93	93½	−0⅞	+0⅛	6.75
Norges Komm. 4⅞ 91	100	83⅞	84⅜	−0⅛	−0⅛	6.52
OKB 6 90	100	95⅞	96⅛	−0¼	−0½	6.60
Oslo, City of 4⅞ 91	100	81⅛	81⅝	−0⅛	−0⅝	6.89
Oslo, City of 5⅞ 90	80	94⅜	94⅞	0	+0⅛	6.70
Philips Lamps 5¾ 92	100	90⅛	91	+0⅛	+0⅝	6.42
Sekisui Pre. Hms. 6 90	80	†98	98½	+0⅛	+1⅛	6.25
Trade Dev. Fin. 6¼ 90	50	95¾	96	−0⅛	−1¼	6.72
Voest-Alpine 5¾ 90	80	93⅛	93⅝	+0⅛	+0¼	6.71
World Bank 6 91	100	95¼	95¾	0	+0⅛	6.65

Average price changes... On day 0 on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.6 83	30	93⅝	94⅛	0	0	8.40
Australia 6½ 88	20	87⅛	88⅛	0	−0⅛	8.91
EIB 7¼ 89	12	93⅜	94⅛	0	−0⅛	8.84
Finland 5.6 83	10	92⅝	93⅜	0	0	8.80
Finland 6.8 88	10	87⅜	88⅜	0	+0⅛	9.13
Finland, Rep. of 8⅞ 87	15	97¼	98¼	+0⅛	+0⅛	8.85

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	90¾	91½	−0⅛	−0⅝	13.06
CIBC 13½ 85 C$	50	97½	98⅛	−0⅛	−0¼	14.18
CIBC 11½ 85 C$	60	91⅛	91⅞	−0⅛	−0¼	14.22
Federal Dev. 11½ 90 C$	60	†85	86	0	−1	14.39
Fst. Can. Inv. 10 84 C$	50	†88	88¾	−0½	−1⅛	14.87
R. Bk. Canada 10 86 C$	40	91	92	0	−0⅜	12.31
Tordom Can. 13½ 85 C$	30	†98	98¾	0	−0¼	14.07

	Issued	Bid	Offer	Change on day	Change on week	Yield
SOFTE 8¾ 89 EUA	40	86⅜	87⅜	+0½	[illegible]	10.69
U. Bk. Nrwy. 9½ 90 EUA	18	[illegible]	92¼	0	+0⅛	9.89
Algemene Bk. 10⅛ 86 Fl	60	96⅜	96⅞	−0⅛	−0⅝	11.17
Bk. Mees & H. 10 85 Fl	75	[illegible]	97½	−0⅛	−0⅛	10.71
Heineken NV 10 87 Fl	100	95⅛	95⅝	−0⅛	−1⅛	11.03
Nat. Nedrlndn. 10 88 Fl	60	[illegible]	95⅞	−0½	−0⅞	11.09
Ned. Midd. Bk. 10 85 Fl	75	[illegible]	99	0	−0⅛	[illegible]
Pierson 10¼ 86 Fl	50	[illegible]	[illegible]	−0⅛	−0⅛	10.75
Aero Paris 13½ 87 FFr	150	[illegible]	94⅞	[illegible]	[illegible]	[illegible]
Charb'nages 13⅞ 85 FFr	400	98¾	99⅜	+0⅛	−0½	14.16
CECA 14¾ 86 FFr	150	[illegible]	100⅛	[illegible]	[illegible]	[illegible]
EIB 14⅛ 88 FFr	300	[illegible]	89⅞	−0¼	−0⅛	14.39
Gaz de France 11 84 FFr	150	[illegible]	[illegible]	0	[illegible]	[illegible]
La Redoute 14⅛ 85 FFr	125	95½	96½	−0⅛	[illegible]	[illegible]
OKB 14 86 FFr	400	[illegible]	[illegible]	−0⅛	−0½	[illegible]
Solvay et Cie 14½ 85 FFr	[illegible]	102¾	103¼	−0⅛	−0⅛	13.94
Utd. Mex. Sts. 14 85 FFr	150	96⅜	97⅜	−0½	[illegible]	[illegible]
Acona 14 85 £	20	95⅜	96⅜	0	−0¼	15.19
Beneficial 14¾ 90 £	20	[illegible]	94⅛	−0⅛	−0⅞	15.49
BNP 13½ 91 £	15	96⅜	96⅞	−0¼	−0½	[illegible]
CECA 13½ 88 £	20	96	96¾	−0⅛	−0½	14.26
Citicorp O/S 13½ 90 £	50	95¾	96½	−0⅛	−0⅜	14.27
Fin. for Ind. 14½ 88 £	20	99⅜	100⅛	+1⅛	−0⅞	14.51
Fin. for Ind. 13¾ 87 £	20	97½	98¼	0	−0⅛	14.13
Gen. Elec. Co. 12½ 89 £	60	93⅞	94⅝	0	−1⅛	13.73
Peugeot SA 14 90 £	23	94⅝	95¼	0	−0⅞	15.01
Rothschild 14⅛ 90 £	12	97¾	98½	−0⅛	−0⅝	14.66
Royal Trustco 14 86 £	12	99¾	100¼	0	−0¼	14.05
Swed. Ex. Cr. 15¾ 85 £	20	102¾	103½	0	−0½	14.29
Banobras 8¾ 90 KD	7	†89½	90	0	0	10.07
CCCE 8¾ 91 KD	10	†82½	83	0	0	11.07
Sonatrach 8½ 90 KD	12	†92	92½	0	0	9.53
Akzo 9¾ 87 LuxFr	500	88¾	89¾	0	+0½	11.74
Euratom 9⅞ 88 LuxFr	500	91¼	92¼	−0⅛	+0⅞	11.58
Eurofima 10½ 87 LuxFr	500	95⅜	96⅜	0	+0⅜	11.45
EIB 9¾ 88 LuxFr	600	91	92	+0⅛	−0⅛	11.60
Volvo 9¾ 87 LuxFr	500	88½	89½	0	+0⅛	12.23

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	99⅜	99⅞	2/7	16⅝	16.69
Bank of Montreal 5¼ 90	0¼	99¾	100¼	18/6	19½	19.50
Bank of Tokyo 5¼ 89	‡0¼	99¼	99¾	25/4	19.31	19.51
BBL Int. 5 86	0¼	99⅛	99⅝	20/5	16½	16.80
Bergen Bk. A/S 6 89	‡0¼	†98⅝	99⅛	29/5	17⅛	17.32
BNP 5½ 88	‡0⅛	99⅜	99⅞	29/4	18.69	18.76
CNT 5¼ 86	§0¼	99⅜	99⅞	16/4	13¼	13.30
Christiania Bk. 5½ 91	‡0⅛	97¾	98¼	5/6	17⅜	18.11
Citicorp O/S F. 94	‡0	99	99½	31/3	16.81	16.94
C. Itoh 5¼ 87	0¼	98¾	99¼	18/9	15.44	15.59
Co-operative Bk. 6 86	0⅛	97⅞	98⅜	15/5	15¼	15.54
Den Norske Credit 6 90	‡0⅛	98¼	98¾	5/5	17⅝	18.02
Genfinance 5¼ 87	0¼	99	99½	30/4	15⅛	15.24
Giro und Bank 5¼ 91	‡0¼	97¾	98¼	23/6	14.06	14.35
GZB 5½ 89	‡0¼	98⅞	99⅜	1/5	17⅞	18.03
Ind. Bank Japan 5¼ 87	0¼	98⅞	99⅜	15/4	13.31	13.43
Ind. Bank Japan 5¼ 88	0¼	98⅝	99⅛	9/4	13⅛	13.27
Lloyds Eurofin 8 90 £	0¼	96⅝	97⅛	3/7	14½	14.95
Lloyds Eurofin 5¼ 92	0¼	98½	99	4/6	17¼	17.47
LTCB Japan 5⅛ 88	0¼	100⅛	100⅝	13/8	20.19	20.09
Man. Hanov. O/S 5¼ 94	‡0¼	98½	99	30/5	17	17.22
Midland Intl. Fin. 5⅛ 92	0¼	99	99½	5/6	17.19	17.32
Nacional Fin. 6⅛ 86	0¼	99⅝	100⅛	25/7	17⅝	17.77
Nacional Fin. 5½ 88	0¼	98¼	98¾	25/3	5½	5.58
Nat. West. 5¼ 94	§0¼	97¾	98¼	14/4	13¼	13.52
Nat. West. 5¼ 92	§0¼	97⅞	98⅜	23/4	13.69	13.95
Nippon Credit 5¼ 87	‡0¼	99½	100	6/5	17.44	17.48
Sparebanken 6 87	0⅛	99⅝	100⅛	19/6	19⅞	19.90
Standard Chart. 5¼ 90	0⅛	99¾	100¼	3/9	17.06	17.06
Svenska Hndlsbk. 5 87	0¼	99⅝	100⅛	15/7	17.81	17.83
Bq. Ex. d'Alg. 6⅛ 89 SF	0⅛	†90	90½	18/6	7½	8.31

Average price changes... On day 0 on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Bow Valley Inv. 8 95	4/81	23.12	98¼	99¼	0	26.51
Canon 6⅞ 95	1/81	829	121⅞	122⅞	−0⅛	0.74
Credit Suisse 4¾ 93	10/79	1278	99	101	+2	−1.03
Digicon Fin. 8½ 95	10/81	29.5	104½	106⅛	+4⅛	8.12
Hanson O/S Fin. 9½ 95	1/81	1.92	124	125½	+0½	−2.61
Ina Overseas 8¾ 2000	4/81	42	108¾	110	+2¼	3.39
Inchcape Ltd. 8 95	2/81	4.55	97¾	98¾	+1	2.12
Jaccs 7½ 95	11/80	565	132⅞	134⅛	−0⅛	3.56
Kotobukiya Co. 7 96	4/81	619	101½	102¾	0	−4.78
Marion Int. Fin. 9 95	12/80	15.5	86½	87½	+0½	14.77
Matsushita El. 7⅛ 95	11/80	590	113¾	114½	−1½	−1.36
MEPC 8¾ 95	2/81	2.47	100½	102	0	9.19
Niigata Eng. 7½ 96	1/81	327	103¾	104½	+0⅛	4.45
Nissho-Iwai Co. 8 96	10/80	398	93¼	94¼	−0⅛	−0.50
Ricoh 6⅞ 95	8/80	604	121½	122½	−0⅛	0.31
Sumitomo M. Ind. 7 96	2/81	181	114¾	115¾	+0⅛	3.60
Swiss Bk. Cpn. 6¾ 90	9/80	200	83	85	+0⅛	10.59
Taylor Woodrow 8¾ 90	1/81	4.94	106⅛	107⅛	+1¼	1.73
Transco Int. 8⅞ 95	2/81	68	90¼	91½	−0¼	27.07
Tricorp 8½ 95	12/80	31.25	89	90½	−0½	15.68
Union Bk. Switz. 5 89	2/80	121.4	83¼	84¼	+0¼	−14.51
Fujitsu 5 84 DM	7/79	431.5	134½	135½	−1¼	−2.24
Sharp Cpn. 6½ 88 DM	9/80	595	157⅛	158⅛	−4¼	−4.93
Uny Co. 6½ 86 DM	11/79	879.3	103⅛	104⅛	+0⅛	0.81

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld = The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

$60m Eurobond for Hospital Corporation

By Francis Ghilès

A $60M five-year convertible Eurobond issue was launched yesterday for Hospital Corporation of America through its offshore financing subsidiary, Hospital Overseas Capital NV. The lead manager, Salomon Brothers, is indicating a coupon of 8¾-9 per cent and a conversion premium around 15 per cent.

Seasoned bond prices were steady in all major sectors of the Eurobond market yesterday with dealers in the fixed interest dollar sector reporting good two-way business. Prices of straight dollar bonds gained ⅛ of a point while the 14 per cent bond to 1987 for Southern California Edison, which was priced at 98½, was quoted by the lead manager, Credit Suisse First Boston, at 97½-98.

The 14¾ per cent bond to 1991 for Genstar was quoted at 97½-¾ during its first day of trading, compared with its 99 per cent issue price.

In the D-Mark foreign bond sector prices gained about ¼ of a point but some bankers are worried that a large list of new borrowers may be agreed at the next Capital Markets Sub-Committee meeting on Wednesday. The queue of potential borrowers is believed to be very long.

Some recent issues continue to trade at a comfortable premium. The 10¼ per cent EIB bond to 1991 was quoted yesterday at 103-½ while the 10 per cent Asian Development Bank bond to 1991 was trading at 100¼-¾.

The indicated terms of the first ever Eurobond denominated in European Currency Units (ECUs) were announced yesterday by Kredietbank. The borrower, the Italian state-owned telecommunications corporation, STET, is paying a coupon of 13 per cent for six years on this ECU 25m issue.

Ivory Coast credit likely

By Our Euromarkets Staff

THE Ivory Coast is understood to be raising a $250m eight-year credit in the Euromarkets, at least part of which is expected to be denominated in special drawing rights (SDRs), the currency unit of the International Monetary Fund.

Market sources say that Chase Manhattan Bank has received the mandate for the credit. When confirmed the issue would be the second major international credit using the SDR.

Earlier this year Sweden raised a $1.4bn Eurocredit of which nearly half was denominated in SDRs. The deal attracted considerable interest because it gave banks which have been accumulating deposits in the IMF unit a chance to lend the SDR funds without breaking them down into their separate currency components.

Ivory Coast recently raised $33m over 12 years through Paribas (London). The credit, to finance a highway construction project, bore a margin of 1¼ per cent throughout.

FINANCIAL MARKET TRENDS REPORT

OECD sees upturn in borrowing

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

NEW BORROWING on international capital markets may rise slightly this year, perhaps by between $5bn and $10bn over the $115.9bn recorded in 1980, according to latest estimates by the Organisation for Economic Co-operation and Development (OECD).

Potential demand for credit on international markets will remain very large in 1981, the OECD predicts in its latest Financial Market Trends, but this demand must be set against a backdrop of uneasy conditions in both the Eurocredit and international bond markets.

Some general upward pressure on Eurocredit margins is likely to persist for the remainder of this year, it says, while the bond markets will have to contend with continuing high interest rates and volatile exchange rates.

Last year total borrowing was barely changed on the 1979 level of $115.6bn despite a $50bn increase in the global balance of payments deficit of borrower countries.

This global figure is expected to fall about $10bn to $130bn this year, but some of the alternative means of finance used by borrower nations in 1981, especially the running down of their foreign exchange reserves, will be less readily available.

In addition, a number of countries have domestic capital requirements in excess of the amounts that can be raised on their own domestic markets. Such requirements will again have to be met partly on international markets, the OECD says.

Such a trend was already evident in 1980 when OECD countries raised their share of new borrowings to around 60 per cent from 47 per cent.

A large part of the increase accounted for by countries where current account payments deficits were improving, or being transformed into surpluses. This suggests that when domestic financial markets are as tight as they were in 1980 general finance needs rather than balance of payments considerations become an important factor determining calls on international markets.

With conditions in international bond markets expected to remain particularly unsettled, the OECD suggests that most of the increase in new international borrowing this year will take place in the form of medium term Eurocredits.

"To the extent borrowers are willing to accept harder credit terms and no major changes in the regulatory framework take place, medium term Eurolending may be expected to pick up, especially in the second half of 1981," it says.

Once again the share of OECD borrowings in the total sum raised on the international capital markets is expected to be high in 1981, probably remaining well in excess of 50 per cent, the OECD says.

Some non-oil developing countries will also have ready access to the markets because of their relatively recent appearance as borrowers or because of their good medium-term prospects.

But a good many will need to turn to alternative sources of finance, especially as high interest rates have already pushed up their debt servicing needs and led to a serious deterioration in their financial position.

Multilateral lending agencies, especially the International Monetary Fund, will thus be increasingly called on to provide finance for developing countries this year.

Last year the IMF stepped up its lending to developing countries, but the OECD notes that another important source of funding for such borrowers appears to have been unpublicised bank lending.

As with other commentators it gives tantalisingly little insight into the amount of such business because by definition such lending remains a confidential matter between an individual bank and its borrower customer.

INTERNATIONAL BORROWING ($bn)	1979	1980	1981 (Jan./Feb. annual rate)
Total borrowing on international capital markets	115.6	115.9	95.5
of which: external bonds	37.3	37.9	34.8
medium term credits	78.3	78.0	60.7
Borrowing by OECD countries	55.1	69.1	61.9
Comecon	4.9	2.6	1.4
Developing countries	35.5	28.9	23.9
CURRENCY SHARE OF NEW EXTERNAL BONDS (%)			
Dollar	39.1	43.2	50.9
D-Mark	19.8	22.2	1.8
Swiss Franc	25.4	19.6	28.2
Yen	7.4	3.9	7.1
CONDITIONS ON MEDIUM TERM EUROCREDITS			
Average margin %	0.64	0.69	0.70
Average life (yrs./mnths.)	9/3	7/8	8/6

Brascan boosts Trustco stake

BY ROBERT GIBBENS IN MONTREAL

BRASCAN, the Toronto holding company controlled by the Peter and Edward Bronfman interests, has lifted its stake in Royal Trustco, Canada's largest trust company, to almost 15 per cent in two major deals worth around C$56m (US$66m). Brascan says it plans to increase the holding to about 20 per cent when the opportunity occurs.

Brascan bought the 9 per cent holding in Trustco, owned by Oxford Development Group, of Edmonton, and also a 5 per cent interest held by Cemp Investments of Montreal, the private investment holding company of Charles and Edgar Bronfman, who directly control the world's largest distiller, Seagram company.

Peter and Edward Bronfman, cousins of Charles and Edgar, won control of Brascan, a big resource consumer products and financial services group two years ago. At the time, Brascan had more than C$400m in cash from the nationalisation of its Brazilian electricity utility.

Brascan is now the second largest shareholder in Royal Trustco. The largest stake is owned by Olympia and York Development, the real estate and resource group owned by the Reichmann family of Toronto.

The pattern of Trustco ownership has emerged since the failure of Campeau Corporation, another real estate developer, to win control of Trustco late last year.

Austrian bank plans to raise capital

By Paul Lendvai in Vienna

OESTERREICHISCHE Laenderbank, the major Austrian bank which earlier this month announced that it could not pay a dividend for 1980 because of bad debts, plans to increase its capital.

Timing and size of the funding has yet to be decided, but the bank made it plain yesterday that it was in need of new capital. Gross cash-flow in 1980 fell to Sch 78m ($5.3m) from the Sch 500m achieved in 1979.

The bank has been in financial difficulties since the collapse of a number of industrial companies to which it was a major creditor. The main culprits were Eumig, the camera group, and OEKG.

Minus its bad debts Laenderbank would have achieved a cash-flow last year of Sch 530m, the board said. The bank operates 230 branches in Austria and closed 1980 with assets totalling Sch 246bn.

In 1979 shareholders received a dividend of 10 per cent.

Minister to discuss Noranda bid

BY OUR FINANCIAL STAFF

MR. TOM WATERLAND, Minister of Forests in the Provincial Government of British Columbia, announced yesterday that he plans to meet officials of Noranda Mines of Toronto next week to discuss the company's proposed bid for control of MacMillan Bloedel Vancouver, largest forest products company in Canada.

Noranda's offer is equivalent to C$56 (US$47m) a share for 8.9m MacMillan shares which would increase its holdings to 49 per cent, or effective control. British Columbia Resources Corporation (BCRIC) had previously made an offer for 6.2m shares at C$46 each.

Mr. Waterland said he does not want Noranda to control more than about 14 per cent of the Province's timber output. At the moment it has interests in two companies which control a total of 19.5 per cent.

He commented that Noranda's proposal to divest itself of its 28.6 per cent interest in British Columbia Forest Products would bring it close to these guidelines.

INTERNATIONAL COMPANIES and FINANCE

Higher earnings from Paribas

By David White in Paris

PARIBAS, the wide-ranging French banking and industrial group, yesterday reported a 16 per cent increase in net earnings for last year, which reached FFr 1.3bn ($271m) compared with FFr 1.15bn in 1979.

The share of the Paribas holding company, Compagnie Financiere de Paris et des Pays-Bas, in these results is calculated at FFr 730m, some 28 per cent higher than the previous year's figure. This excludes exceptional gains, which rose to FFr 38m from FFr 24m.

The holding company's own net profit rose to FFr 289m from FFr 219m, and the proposed net dividend is being increased to FFr 17.25 a share from FFr 15. Part of this has already been paid as a preliminary net dividend of FFr 7 per share.

The payout applies to a capital increased during the year from FFr 1.45bn. to FFr 1.65bn, following the creation of new shares as a result of takeovers and the conversion of bonds.

The balance sheet total of the holding company, which last month took effective control of the Empain-Schneider steel, nuclear and engineering group, stood at FFr 5.89bn at the end of last year.

The banking subsidiary, Banque de Paris et des Pays-Bas (henceforth to be known more simply as Banque Paribas), increased its net earnings by 52 per cent, to FFr 142m from FFr 94m. This result does not include extraordinary gains of FFr 6.9m,

A net dividend of FFr 16 a share is being proposed, except for new shares created in June last year, which will receive FFr 8.

HIGH INTEREST RATES SQUEEZE MARGINS

Major reverse for Commerzbank

BY KEVIN DONE IN FRANKFURT

FINAL FIGURES for 1980 released yesterday by Commerzbank, West Germany's third largest commercial bank, show how low its fortunes sank last year. The parent bank failed to produce any after-tax profit compared with a profit of DM 126m in 1979, while the consolidated Commerzbank group suffered a drop of 76 per cent in after tax profits to DM 33.8m ($16.2m).

In 1979 the bank had to fall back on hidden reserves in order to maintain its dividend. For 1980 it has been forced to drop a dividend altogether and Herr Paul Lichtenberg, temporary chairman of the executive board, despite claiming that the bank was back on "firm ground," said yesterday that it was too early to make dividend predictions for 1981.

After the explosive growth of recent years Commerzbank has been confronted by the overwhelming need to improve the quality rather than the quantity of its business. The balance-sheet total of the parent bank actually declined last year as a result by 3.6 per cent to DM 64.7bn with a particular cut in inter-bank business. The balance-sheet total of the Commerzbank group remaned virtually unchanged at DM 100bn.

Commerzbank's earnings came under extreme pressure as a result of having to refinance at much higher interest costs credits granted in earlier years at relatively low fixed rates. Most of the damage was done in the first quarter of 1980 but the bank did not manage to bring about any lasting recovery until the late summer last year.

The bank's interest surplus slumped by 13.3 per cent or DM 145m to DM 946m which could in no way be compensated for by the increase of DM 56m, or 16.6 per cent in commission earnings to DM 398m.

Other major pressures on Commerzbank's results last year came with DM 125m write-offs on its securities, including a write-off of DM 37m on the portion of shares it had to take in the bank rescue of the financially-troubled AEG-Telefunken. In addition, personnel costs jumped by 9 per cent to DM 1bn.

Commerzbank is intent on steering its business back towards lending to industry and private customers and away *from lending to the State.*

A start has been made in this direction and the public sector's share of total book credits has dropped to 23 per cent from 27 per cent a year ago. At the same time the share of loans to private customers has grown from 26 to 28 per cent and the share of corporate customers has grown from 47 to 49 per cent.

Spanish bank increases profits

BY ROBERT GRAHAM IN MADRID

SPAIN'S third largest commercial bank, Banco Hispano-Americano, announced a 20 per cent increase in pre-tax profits to Pta 9.6bn ($112m) for 1980.

Sr. Alejandro Albert, the bank's managing director, yesterday said the results were "very satisfactory" but cautioned that there were uncertainties over the profit trend in 1981.

The effects of the continued recession in Spain were reflected in the bank's provision of Pta 9bn to cover doubtful debts and portfolio investment writedowns, a 50 per cent rise on the previous year. Deposits at the year-end stood at Pta 852bn, an average rise of 18 per cent in line with that of the big seven Spanish banks. The increase in credits was a cautious 13 per cent to Pta 661bn, below the rate of inflation.

These results are not consolidated and exclude the various important subsidiaries of the bank, such as its industrial offshoot of the same name, and its leasing and investment companies such as Banif. For the first time an international audit is being conducted.

The bank is proposing a dividend of Pta 74.29 a share, up Pta 9.29.

IRI banks show steady improvement

By James Buxton in Rome

Banca Commerciale Italiana, the State controlled concern which is Italy's second biggest bank, has announced a 20 per cent increase in profits to L22.7bn ($21.8m) for 1980 and an unchanged dividend.

The bank, which is 90 per cent controlled by the State holding company IRI, lifted revenue by 24.5 per cent to L27,544bn. The net profit figure came after depreciation of L29.3bn and provisions for contingencies of L301.4bn.

Another IRI bank, Banco di Roma which is Italy's fifth biggest, has announced an increase in net profits of 16 per cent to L14.4bn for 1980 and is also to pay an unchanged dividend on its shares.

The bank's revenue was up by 19.5 per cent to L20,902bn. The net profit is after depreciation of L15.9bn and provisions for contingencies of L180bn.

The results of both banks precede the launching of an operation for doubling their capital and of Credito Italiano, which is the third of the IRI controlled banks.

Banca Commerciale Italiano's capital is to go up from L105bn to L210bn and that of Banco di Roma from L70bn to L140bn.

The operation should ultimately result in a diminution of IRI's stake, which in Banco di Roma amounts to 89 per cent.

The increases will be in the form of a mixture of free shares and a rights issue. To pay for the funds needed to take up its full entitlement, IRI is expected to launch a bond issue convertible, at terms yet to be fixed, into shares of the three banks.

Strong recovery at Saleninvest

BY WESTERLY CHRISTNER IN STOCKHOLM

SALENINVEST, the Swedish shipping group, reports a 1980 pre-tax profit of SKr 190m ($41.5m), which represents a substantial recovery from the SKr 7m earned in the previous year. The results include gains on ship sales of SKr 129m.

Turnover rose by 18 per cent to SKr 3.53bn. The board recommends a dividend of SKr 10 a share, plus an additional SKr 10 a share at a total cost of SKr 15m, which is double 1979's total.

For 1981 management predicts a further recovery from the SKr 61m earned in 1980 before ship sales and non-recurring items. Last year's recovery is attributed to "considerably higher" income from Salen Reefer Services, despite a relatively weak market.

Salen operates the largest reefer fleet (cold storage ships) in the world, with more than 90 ships. The profits improvement was also helped by better charter rates for dry cargo vessels and higher earnings for *Salen and Wicander, the marine* equipment manufacturing unit.

The company's large tanker operations continued to return a loss, but Salen Energy earnings continued strong.

The group's return on capital employed was 11.4 per cent against 6.5 per cent the year before. Return on equity capital after tax was 14.8 per cent.

Saleninvest AB, the parent company, proposes to increase its capital by SKr 75m to SKr 150m by a one-for-one scrip issue.

Optimism at Merlin Gerin following sharp recovery

BY DAVID WHITE IN PARIS

MERLIN GERIN, the Grenoble-based electrical engineering group, has staged a recovery, pushing 1980 consolidated net profit up to FFr 55m ($11.2m) from FFr 36.5m.

The company, in which Empain-Schneider, now under the effective control of Paribas, holds a blocking minority shareholding, has set a target of FFr 78m for group earnings this year. It aims to increase turnover to FFr 3.8bn compared with FFr 3.1bn in 1980, which was 29 per cent higher than in 1979.

Overseas business accounted for 42 per cent of 1980 total sales. The group has recently won important contracts from Iraq, Australia and Saudi Arabia.

The net dividend is due to be increased to FFr 15 a share from FFr 12, on the parent company's net profit of FFr 38.3m, which were more than twice the previous year's FFr 16.1m.

Group investments are due to be maintained this year at around the 1980 level of FFr 135m and to be increased to FFr 155m next year.

M. Jean Vaujany, chairman, said the entry of Paribas into Empain-Schneider last month—a move that was accompanied by the withdrawal of Baron Edouard-Jean Empain—meant that some rationalisation measures that had failed to materialise in the past could now be carried out, particularly in the field of electrical fittings.

● Compagnie Maritime des Chargeurs Réunis, the French shipping group, managed to show a profit for last year, but only because of the sale of part of its fleet.

The company registered net earnings of FFr 650,000 ($132,000), against a loss of FFr 27m for 1979. This was after depreciation of FFr 93m compared with FFr 98m the previous year. Exceptional gains, mainly from the sale of ships, climbed to FFr 65m from FFr 41m.

At the same time, the company succeeded in reducing its medium and long-term debt. Debts of more than one year outstanding at the end of the year totalled FFr 653m, compared with FFr 768m a year earlier and FFr 879m at the end of 1978.

Spanish airline loss mounts

By Our Financial Staff

Spain's State-owned national airline Iberia more than doubled its losses to Pta 6.68bn ($7.9m) in the year ending October, 1980 from Pta 2.59bn, according to Sig. Felipe Cons, company president.

He told a Press conference the major reason for the losses was a doubling of fuel costs which helped raise total costs to Pta 129.03bn against a total income of Pta 120.62bn. Extraordinary earnings totalled Pta 1.73bn.

ISS maintains payment

BY HILARY BARNES IN COPENHAGEN

ISS, the Danish cleaning and security services group, announces an unchanged 10 per cent dividend for 1980 after an increase in group net profit from DKr 25.4m to DKr 27.7m

Profits before depreciation and interest rose from DKr 150m to DKr 166m while earnings per share increased from DKr 30.21 to DKr 32.94. Turnover was 16.5 per cent higher at DKr 3.5bn.

Results in the cleaning divisions were described as satisfactory, but there were losses on security and guard companies in France, Holland and Switzerland. The group's U.S. subsidiary, the Prudential Building Maintenance Corporation, which is the biggest company in the group, managed to pick up some major cleaning contracts last year, the company said.

Luxembourg bank ahead

By Peter Montagnon

AN INCREASE of 30 per cent in net profits for 1980 to SwFr 20.91m ($11m) is announced by the Societe Financiere Europeenne group, which includes a Paris-based consortium bank and a bank in Nassau.

Although the holding company for the group is based in Luxembourg, historically it has presented accounts in Swiss francs as this is preferred by its nine shareholder banks from Europe, the U.S. and Japan.

Further sales growth at Asuag

BY JOHN WICKS IN ZURICH

TURNOVER of the Asuag watch-making group of Switzerland rose by 11.7 per cent to SwFr 1.3bn ($697m) in 1980. This figure is still below the record SwFr 1.4bn in 1974 but marks the fourth consecutive year in which sales have grown.

According to a letter sent to shareholders, parent company cash-flow and profits also showed an improvement and a further increase in profitability is expected for 1981.

Orders on hand are said by the board to be "gratifying" and full employment seems guaranteed. The group intends to concentrate on improving productivity and will continue what it calls a "dynamic" *marketing programme.*

A special development programme has been set up for the group's non-watch subsidiaries in the U.S. These recorded better results in 1980 in spite of the general recession.

Last year about SWFr. 214.9m, or 16.1 per cent, of consolidated turnover came from group companies outside Switzerland. A breakdown into product groups shows that sales of watches, movements and watch components by Asuag companies went up by 10.4 per cent and those of the divisions outside watch production rose by 22.4 per cent.

Co-operation plans with the SSIH group, Switzerland's second biggest watch producer after Asuag, are said to be "proceeding as foreseen." A statement is to be issued as soon as an agreement is reached.

Last year, Asuag and SSIH set up a joint-venture subsidiary called Microbo in Neuchatel to promote use of industrial robots in the groups' factories and carry out research, development and production in the field of high-precision micro-automation. Asuag has a 65 per cent stake in the venture and SSIH 35 per cent.

● The Zurich-based investment fund Bondwert is to pay a dividend of SwFr 6 per certificate for the year ended January, 1981. The fund, whose custodian is the National Westminster affiliate Handelsbank, reports a net income of SwFr 1.23m and assets at January 31 of SwFr 18.4m.

At the same time, the securities fund Uniwert is to increase the dividend per certificate from SwFr 3.20 to SwFr 3.30. Assets rose from SwFr 15.9m to SwFr 20.5m. Net income reached SwFr 808,375.

Indians fear fee cut will slow public deposits

By R. K. Sharma in Bombay

INDIAN BUSINESSMEN are worried that the flow of funds to private companies could be cut short by a recent government directive limiting brokers' commissions to 1 per cent of deposits, which they raise from the public on a company's behalf.

Indian companies have been raising around Rs 4bn ($500m) a year in deposits from the public since new rules were laid down by the government in 1975. Financing by the banks has been limited by the credit restrictions imposed by the Reserve Bank of India, so that public deposits have become a major source of funds both for working capital and investment.

Much of the deposits has been raised by brokers, about 15,000 of whom now operate for the purpose. Fresh restrictions on their activities are expected by Bombay businessmen, and are likely to limit their role considerably by making it less profitable for them to mobilise deposits for private companies. Mr. R. Venkataraman, the Finance Minister, imposed a ceiling of 15 per cent interest on the deposits in his last budget.

One of the main reasons for the restrictions is thought to be the government's hope that public deposits will now be diverted from private to public sector companies, which were allowed to accept such deposits from just over a year ago. However, the response by the public to the major government-owned companies' invitation to deposit funds with them has been disappointing.

The Steel Authority of India (SAIL), for instance, has only been able to mobilise just over Rs 50m in more than a year. The experience of other State-owned companies, smaller than SAIL, has been even more disappointing.

Initially, public sector companies were not allowed to use brokers and relied on advertisements for public deposits. Since the response was not encouraging, they have more recently been allowed to use brokers. Yet the new limits on the brokers' activities may affect them no less adversely than private concerns.

Public financial institutions, like the Unit Trust of India, pay a brokerage fee of 1.75 per cent, while on small savings schemes it can be as high as 2.5 per cent.

Japanese steel makers to increase spending sharply

BY YOKO SHIBATA IN TOKYO

A SHARP increase in capital investment plans by Japan's five major steel makers is expected for the coming financial year, starting April 1, despite a low volume of steel production being planned for the first half. Outlays by the five are to total Y639.2bn ($3.1bn), or 42.5 per cent more than in 1980-81.

The upturn in capital investment is designated partly for expansion of production capacity in high-value-added steel products such as high strength steel sheets, surface-treated steel sheets and seamless pipes, all of which offer the prospects of a sharp increase in demand in the near future.

Another factor in the increase is a rationalisation drive placing emphasis on new equipment for continuous casting of all slabs, leading to considerable savings in energy and man-hours.

Reflecting increasing world investment in oil and natural gas exploration, a tight demand-supply situation in seamless pipes is expected in the near future. All five steel makers plan expansion in this area.

Nippon Steel, for example, still invest Y80bn for construction of highly computerised integrated manufacturing system for seamless pipe, with the completion date set for March, 1983. Construction of new facilities for the manufacture of seamless pipe is also planned by Nippon Kokan and Sumitomo Metal Industries.

In coping with the change in the composition of steel demand, from the traditional public and private capital investment-oriented products to higher value added products, greater stress is being placed on investments in the field of high strength steel sheets and surface-treated steel sheets for the automobile and electric appliances industries.

Capital investment by steel makers reached a peak in 1976 of Y1,200bn and has in the past provided significant support for the economy as a whole. However, the level of capital outlays has been sharply scaled down as a result of a sharp fall in demand. Capital expenditures in 1980-81 are expected to slip back to about one-third of the 1976 peak.

The steep upturn in capital investment plans of the steel industry is again expected to have a strong effect in propping up the Japanese economy.

In the past, steelmakers have confined the level of capital outlays to within two-thirds of their depreciation level. However, capital expenditures have become difficult to cover completely from funds on hand. Some steel makers are to resume new borrowing. A Y40bn convertible debenture issue is planned by Kobe Steel for this May. Nippon Steel plans to issue Y30bn of convertible debentures, perhaps in May. Kawasaki Steel, Nippon Kokan, and Sumitomo Metal Industries are also looking at the possibility of raising funds through debenture issues.

CAPITAL EXPENDITURE

	Estimates for 1980-81 Ybn	Plans for 1981-82 Ybn	Change on year %
Nippon Steel	165.0	210.0	27.3
Nippon Kokan	48.6	100.0	106.2
Sumitomo Metal	101.0	136.0	34.7
Kawasaki Steel	72.5	125.2	72.7
Kobe Steel	61.5	67.8	10.2
Total	448.6	639.0	42.4

Downturn at Wheelock Maritime

BY ADRIAN BOVEN IN HONG KONG

WHEELOCK MARITIME, the principal shipping subsidiary of the Wheelock Marden Group, has reported after-tax profits of HK$44.82m (US$8.50m) for the nine months to December, 4 per cent down on an annualised basis from the profits for the whole year to March 1980 of HK$62.33m.

An unrealised exchange loss of HK$4.86m, which has been treated as a separate item, would have shown the profits decline at 14.5 per cent, if included.

But the company also made an extraordinary gain of HK$17.22m from the sale of a ship, and the inclusion of both items would result in a profit of HK$57.18m. This would represent a 22 per cent increase on an annualised basis. There were no extraordinary items in 1979-80.

The final dividend is 25 cents per "A" share and 2.5 cents per "B" share, making totals of 45 cents per "A" share and 4.5 cents per "B" share. This is 9 per cent higher on annualised basis.

The results were considered disappointing because most of the company's charters are written in U.S. dollars and the Japanese yen and earnings were expected to improve after these currencies strengthened against the Hong Kong dollar towards the end of 1980.

* * *

The South China Morning Post group, which publishes Hong Kong's principal English-language newspaper, has reported after-tax profits for the six months to December 31 of HK$37.76m (US$7.16m), 53 per cent higher than the previous year's of HK$24.64m. The interim dividend has been raised to 60 cents a share from 40 cents.

Mr. John Boyer, the chairman, said that the results were "highly satisfactory," and attributed them to continued growth in demand for the group's publications, which include several magazines as well as newspapers.

Almost 90 per cent of the company's shares are held by the Hongkong and Shanghai Banking Corporation, Hutchison Whampoa, and Dow Jones, and the stock is dormant on the market.

WORLD VALUE OF THE DOLLAR

Bank of America NT & SA, Economics Department, London

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, March 25, 1981. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT and SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT and SA nor the Financial Times assume responsibility for errors.

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (O)	44.00
Albania	Lek	4.4627
Algeria	Dinar	3.8325
Andorra	Fr. Franc	4.9185
	Sp. Peseta	84.69
Angola	Kwanza	27.627
Antigua	E. Caribbean $	2.7025
Argentina	Peso	2343.00
Australia	Dollar	0.8547
Austria	Schilling	14.7775
Azores	Port. Escudo	56.39
Bahamas	Dollar	1.00
Bahrain	Dinar	0.3769
Balearic Is.	Sp. Peseta	84.69
Bangladesh	Taka	15.7843
Barbados	Dollar	2.01
Belgium	Franc (C)	34.20
	Franc (F)	35.11
Belize	Dollar	2.00
Benin	C.F.A. Franc	245.925
Bermuda	Dollar	1.00
Bhutan	Ind. Rupee	8.205
Bolivia	Peso	25.00
Botswana	Pula	0.766
Brazil	Cruzeiro	74.87
Br. Virgin Is.	U.S. Dollar	2.091
Brunei	Dollar	2.091
Bulgaria	Lev	0.87
Burma	Kyat	6.7271
Burundi	Franc	90.00
Cameroun Rp.	C.F.A. Franc	245.925
Canada	Dollar	1.1836
Canary Is.	Sp. Peseta	84.69
Cape Verde	Escudo	36.51
Cayman Is.	Dollar	0.835
Cen. Af. Rep.	C.F.A. Franc	245.925
Chad	C.F.A. Franc	245.925
Chile	Peso (O)	39.00
China	Renminbi Yuan	1.6169
Colombia	Peso (O)	52.31
Comoros	C.F.A. Franc	245.925
CongoP'ple.Rep.of	C.F.A. Franc	245.925
Costa Rica	Colon	8.57
Cuba	Peso	0.7313
Cyprus	Pound*	2.58
Czechoslovakia	Koruna (O)	5.60
DemRep.SaoTome & Principe	Dobra	36.6552
Denmark	Krone	6.5632
Djibouti Rp. of	Franc	178.15
Dominica	E. Caribbean $	2.7025
Domin. Rep.	Peso	1.00
Ecuador	Sucre	28.10
Egypt	Pound*	1.4493
El Salvador	Colon	2.50
Eq'tl Guinea	Ekuele	169.38
Ethiopia	Birr (O)	2.048
Faeroe Is.	Dan. Krone	6.5632
Falkland Is.	Pound*	2.2632
Fiji	Dollar	0.8127
Finland	Markka	4.031
France	Franc	4.9185
Fr. C'ty in Af.	C.F.A. Franc	245.925
Fr. Guiana	Franc	4.9185
Fr. Pac. Is.	C.F.P. Franc	83.9519
Gabon	C.F.A. Franc	245.925
Gambia	Dalasi	1.7674
Germany (E)	Ostmark (O)	2.0865
Germany (W)	Mark	2.0865
Ghana	Cedi	2.75
Gibraltar	Pound*	2.2632
Greece	Drachma	50.62
Greenland	Dan. Krone	6.5632
Grenada	E. Caribbean $	2.7025
Guadaloupe	Franc	4.9185
Guam	U.S. $	1.00
Guatemala	Quetzal	1.00
Guinea Bissau	Peso	35.5426
Guinea Rep.	Syli	19.9965
Guyana	Dollar	2.5362
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
Hong Kong	Dollar	5.277
Hungary	Forint	32.55
Iceland	Krona	6.48
India	Rupee	8.205
Indonesia	Rupiah	625.00
Iran	Rial (O)	76.30
Iraq	Dinar	0.2999
Irish Rep	Punt*	1.7472
Israel	Shekel	8.58
Italy	Lira	1040.50
Ivory Coast	C.F.A. Franc	245.925
Jamaica	Dollar	1.7835
Japan	Yen	208.75
Jordan	Dinar	0.3193
Kampuchea	Riel	n.a.
Kenya	Shilling	8.2221
Kiribati	Aust. Dollar	0.8547
Korea (Nth)	Won	0.94
Korea (Sth)	Won	671.20
Kuwait	Dinar	0.2759
Lao P'pls D. Rep	Kip	10.00
Lebanon	Pound	3.9585
Lesotho	Loti	0.7923
Liberia	Dollar	1.00
Libya	Dinar	0.2961
Liechtenst'n	Sw. Franc	1.9005
Luxembourg	Lux Franc	34.20
Macao	Pataca	5.305
Madagascar D. R.	Franc	245.925
Madeira	Port. Escudo	56.39
Malawi	Kwacha	0.8558
Malaysia	Ringgit	2.279
Maldive Is.	Rupee	3.93
Mali Rp.	Franc	491.85
Malta	Pound*	2.7023
Martinique	Franc	4.9185
Mauritania	Ouguiya	49.185
Mauritius	Rupee	8.1006
Mexico	Peso	23.68
Miquelon	Fr. Franc	4.9185
Monaco	Fr. Franc	4.9185
Mongolia	Tugrik (O)	3.3555
Montserrat	E. Caribbean $	2.7025
Morocco	Dirham	4.7228
Mozambique	Metica	28.3006
Namibia	S.A. Rand	0.7923
Nauru Is.	Aust. Dollar	0.8547
Nepal	Rupee	12.00
Netherlands	Guilder	2.308
Neth. Ant'les	Guilder	1.80
New Zealand	Dollar	1.0788
Nicaragua	Cordoba	10.00
Niger Rp.	C.F.A. Franc	245.925
Nigeria	Naira (O)	0.56
Norway	Krone	5.372
Oman, Sultanate of	Rial	0.3456
Pakistan	Rupee	9.97
Panama	Balboa	1.00
Papua N.G.	Kina	0.6547
Paraguay	Guarani	137.30
P'pls D. Rp. of Yemen	Dinar	0.3415
Peru	Sol	391.86
Philippines	Peso	7.65
Pitcairn Is.	N.Z. Dollar	1.0788
Poland	Zloty (O)	31.00
Portugal	Escudo	56.39
Port Timor	Escudo	n.a.
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.6397
Reunion Ile de la	Fr. Franc	4.9185
Romania	Leu	4.47
Rwanda	Franc	92.84
St. Christopher	E. Caribbean $	2.7025
St. Helena	Pound*	2.2632
St. Lucia	E. Caribbean $	2.7025
St. Pierre	Fr Franc	4.9185
St. Vincent	E. Caribbean $	2.7025
Samoa (Am.)	U.S. $	1.00
San Marino	It. Lira	1040.50
Saudi Arabia	Riyal	3.6397
Senegal	C.F.A. Franc	245.925
Seychelles	Rupee	5.8899
Sierra Leone	Leone	1.2607
Singapore	Dollar	2.091
Solomon Is.	Dollar	0.8613
Somali Rep.	Shilling	6.0241
South Africa	Rand	0.7923
Spain	Peseta	84.69
Span. Ports in N. Africa	Sp. Peseta	84.69
Sri Lanka	Rupee	17.9171
Sudan Rep.	Pound* (2)	2.00
Sudan Rep.	Pound* (1)	1.25
Surinam	Guilder	1.80
Swaziland	Lilangeni	0.7923
Sweden	S. Krone	4.573
Switzerland	Franc	1.9005
Syria	Pound	3.9252
Taiwan	Dollar (O)	36.00
Tanzania	Shilling	8.1389
Thailand	Baht	20.50
Togo Rep.	C.F.A. Franc	245.925
Tonga Is.	Pa'anga	0.8547
Trinidad & Tobago	Dollar	2.4063
Tunisia	Dinar	0.3985
Turkey	Lira	95.95
Turks & Caicos	U.S. $	1.00
Tuvalu	Aust. Dollar	0.8547
Uganda	Shilling	7.8252
Utd. A'b. Emir.	Dirham	3.6725
Utd. Kingdom	Pound Sterling*	2.2632
Upper Volta	C.F.A. Franc	245.925
Uruguay	Peso	10.36
U.S.S.R.	Rouble	0.6937
Vanuatu	Vatu (5)	79.4909
Vanuatu	Aust. Dollar	0.8547
Vatican	It. Lira	1040.50
Venezuela	Bolivar	4.2932
Vietnam	Dong (O)	2.18
Virgin Is. U.S.	U.S. $	1.00
Western Samoa	Tala	0.9713
Yemen	Rial	4.57
Yugoslavia	Dinar	29.37
Zaire Rp.	Zaire	3.42
Zambia	Kwacha	0.8297
Zimbabwe	Dollar	0.6536

n.a. Not available. * U.S. dollars per National Currency unit. (O) Official rate. (C) Commercial rate. (F) Financial rate.
(1) Sudan—Official rate for specified exports and imports. (2)—Sudan—Official rate for all transactions except specified exports and imports.
(3) Egypt—A different rate applies to certain transactions with non-IMF countries.
(4) Iceland—Introduced a new crown equivalent to 100 units of old currency on 1/1/81.
(5) Vanuatu—100 vatu=6.1875 French francs since 1/1/81. Aust. dlr. being phased out over next two years.

Dollar firm

The dollar improved yesterday against a background of rising tension in Poland — which tended to depress European currencies, particularly the D-mark — and the overall firmness of Eurodollar interest rates. Speculation about possible restrictions on the import of Japanese cars to the U.S. also helped the dollar to gain ground against the yen.

Sterling was firmer in general, but had a softer tone against the strong dollar. Fears of a cut in Bank of England Minimum Lending Rate initially weakened the pound, but when this proved incorrect sterling recovered despite the overall decline against the dollar.

European currencies weakened against the dollar, and the Belgian franc remained very weak within the EMS, despite the recent rise in the Belgian discount rate. The franc was at its lowest permitted level against the D-mark at the Frankfurt fixing, and required support from the authorities.

DOLLAR — trade-weighted index (Bank of England) rose to 99.7 from 99.5. The dollar finished around its firmest level of the day, rising to DM 2.11 from DM 2.0845 against the D-mark, to Y211.25 from Y208.80 against the Japanese yen, and to SwFr 1.92 from SwFr 1.9025 in terms of the Swiss franc.

STERLING — trade-weighted index (Bank of England) rose to 100.9 from 100.6, after opening at 100.8 and standing at 100.7 at noon. The pound opened at $2.2590-2.2600 against the dollar, and touched a peak of $2.2620-2.2630, before falling to $2.2490-2.2510 in the afternoon. This was an indication of the strength of the dollar rather than sterling's weakness, and the pound finished at $2.2500-2.2510, a fall of 1.25 cents on the day.

D-MARK — One of the strongest members of the European Monetary System, helped by a sharp rise in West German interest rates, and the introduction of a special Lombard facility. Previously the D-mark had been depressed by high foreign interest rates and a continuing balance of payments deficit. Tension over Poland remains a market factor — The D-mark showed mixed changes at the Frankfurt fixing, gaining ground against its stronger EMS partners, the French franc and Dutch guilder, but weakening against the dollar and sterling. The dollar rose to DM 2.0963 from DM 2.0880 at the fixing, without any intervention by the German authorities. The pound rose to DM 4.7300 from DM 4.7280. The U.S. currency fell to DM 2.0885 before the fixing, influenced by rising German interest rates, but then recovered on continuing fears of the danger surrounding the situation in Poland.

DANISH KRONE — Fairly steady around the middle of the EMS, but weaker against the D-Mark following the sharp rise in German interest rates. Firmer against sterling and steady in terms of the dollar recently, after a marked weakness against both currencies earlier this year—The krone weakened against most currencies at the Copenhagen fixing, but was slightly stronger against the French franc. The French currency fell to DKr 1.3355 from DKr 1.3365, but the D-mark rose to DKr 3.1488 from DKr 3.1470, while the Belgian franc was unchanged at DKr 19.215 per 100 francs. Outside the EMS the dollar rose to DKr 6.5935 from DKr 6.5640, and sterling to DKr 14.89 from DKr 14.8655.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 26	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.6431	+2.07	+1.92	±1.5361
Danish Krone	7.91917	7.99138	+0.91	+0.76	±1.6413
German D-Mark	2.54502	2.53995	−0.20	−0.35	±1.1386
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	+1.67	+1.52	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE POUND SPOT AND FORWARD

March 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible] dis, 12-month [illegible] dis.

THE DOLLAR SPOT AND FORWARD

March 26	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Mar. 26	Bank of England Index	Morgan Guaranty Changes %
Sterling	100.9	−35.9
U.S. dollar	99.7	−4.5
Canadian dollar	86.1	−17.5
Austrian schilling	116.9	+25.8
Belgian franc	109.1	+9.6
Danish kroner	89.8	−10.2
Deutsche mark	121.4	+40.6
Swiss franc	155.7	+75.8
Guilder	112.7	+15.7
French franc	87.1	−9.4
Lira	59.8	−54.9
Yen	143.9	+39.7

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Mar. 26	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	[illegible]	[illegible]
U.S. $	[illegible]	[illegible]	[illegible]
Canadian $	[illegible]	[illegible]	[illegible]
Austria Sch.	[illegible]	[illegible]	[illegible]
Belgian F.	[illegible]	[illegible]	[illegible]
Danish Kr.	[illegible]	[illegible]	[illegible]
D mark	[illegible]	[illegible]	[illegible]
Guilder	[illegible]	[illegible]	[illegible]
French Fr.	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]
Norwgn. Kr.	[illegible]	[illegible]	[illegible]
Spanish Pta.	[illegible]	[illegible]	[illegible]
Swedish Kr.	[illegible]	[illegible]	[illegible]
Swiss Fr.	[illegible]	[illegible]	[illegible]
Greek Dr.	[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Mar. 26	£	$		Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Frc.	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

March 26 Finland/Sterling [illegible]. Rate given for Argentina is free rate. *Selling rate.

EXCHANGE CROSS RATES

Mar. 26	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.251	4.750	475.5	11.23	4.323	5.268	2387.	2.664	77.75
U.S. Dollar	0.444	1.	2.111	211.3	4.986	1.921	2.341	1047.	1.184	34.55
Deutschemark	0.211	0.474	1.	100.1	2.362	0.910	1.109	496.1	0.561	16.37
Japanese Yen 1,000	2.103	4.733	9.989	1000.	23.60	9.090	11.08	4956.	5.603	163.5
French Franc 10	0.891	2.005	4.234	423.8	10.	3.852	4.695	2100.	2.374	69.30
Swiss Franc	0.231	0.521	1.099	110.0	2.596	1.	1.219	545.2	0.616	17.99
Dutch Guilder	0.190	0.427	0.902	90.27	2.130	0.821	1.	447.4	0.506	14.76
Italian Lira 1,000	0.424	0.955	2.016	201.8	4.761	1.834	2.235	1000.	1.130	32.99
Canadian Dollar	0.375	0.845	1.785	178.6	4.213	1.623	1.977	884.6	1.	29.19
Belgian Franc 100	1.286	2.895	6.109	611.6	14.43	5.559	6.776	3081.	3.426	100.

FT LONDON INTERBANK FIXING (11.00 a.m. MARCH 26)

3 months U.S. dollars		6 months U.S. dollars	
bid 14 3/4	offer 14 7/8	bid 14 7/8	offer 15

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Mar. 26	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Month	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20-21	[illegible]	[illegible]
Six months	12½-12⅝	14⅞-15⅛	15⅛-15⅛	10¼-10⅛	[illegible]	[illegible]	[illegible]	20-21	[illegible]	[illegible]
One Year	[illegible]	14⅞-15⅛	15-15⅛	[illegible]	7⅞-8	[illegible]	13-13¼	20-21	14¼-15	[illegible]

SDR linked deposits: one-month [illegible] per cent; three-months [illegible] per cent; six-months [illegible] per cent; one-year [illegible] per cent.
ECU linked deposits: one-month [illegible] per cent; three-months 13-13⅛ per cent; six-months [illegible] per cent; one-year [illegible] per cent.
Asian $ (closing rates in Singapore): one-month [illegible] per cent; three months [illegible] per cent; six-months [illegible] per cent; one-year 14⅞-15 per cent.
Long-term Eurodollar two years 14⅛-15 per cent; three-years [illegible]-15 per cent; four years [illegible]-15 per cent; five-years [illegible]-15 per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.
The following nominal rates were quoted for London dollar certificates of deposit: one-month 13.90-14.00 per cent; three-months 14.20-14.30 per cent; six-months 14.30-14.40 per cent; one-year 14.30-14.40 per cent.

INTERNATIONAL MONEY MARKET

Europe rates firm

Short term Belgian Treasury certificate rates were increased by the authorities yesterday in a further effort to support the Belgian franc. The latter is still the weakest member of the European Monetary System, and remains close to or at its floor level against other members. Yesterday's move came close after Wednesday's one point increase in the discount rate to 13 per cent, and a two point rise in the Lombard rate to 15 per cent. One-month Treasury bills now stand at 13½ per cent from 13 per cent previously, while two- and three-month bills both rose by a quarter of a point to 13¾ per cent and 14 per cent respectively.

In Frankfurt call money was quoted at 11.8-12 per cent compared with 11.75-12.25 per cent on Wednesday. However a tightening of short term credit ahead of the month end prompted an increase in lending under the special Lombard facility. From a relatively comfortable position earlier in the month, some banks were obliged to obtain funds to maintain adequate reserve requirement levels with the Bundesbank. Borrowing under the Lombard facility on Wednesday increased to DM 3.3bn from DM 700m on Tuesday, but remained well below the DM 28bn seen soon after the new facility had been introduced. The market has also been faced with an estimated DM 3bn in maturing swaps yesterday, after a further DM 2.6bn of expiring security pensions on Tuesday.

UK MONEY MARKET

Further help

Bank of England Minimum Lending Rate 12 per cent (from March 10, 1981)

Day-to-day credit was expected to be in good supply in the London money market yesterday, but the flow of funds appeared to be insufficient, so that the Bank of England gave assistance by buying a small amount of eligible bank bills outright. The market was faced with a moderate amount of commercial bills maturing in official hands, and the repayment of a moderate amount of official advances from last Friday. On the other hand, Government disbursements exceeded revenue transfers to the Exchequer by a large amount, and banks brought forward balances a moderate way above target. Discount houses were paying 11½-12 per cent for secured call loans at the start, with later balances taken at 10-11½ per cent.

In the interbank market overnight loans opened at 12-13½ per cent and eased to 11½-11¾ per cent. Rates touched a low of 11-11½ per cent later in the day, but rose towards the close of trading to around 14 per cent.

GOLD

Firmer trend

Gold rose $11 to close at $538-541 in the London bullion market yesterday. Trading was generally quiet, with the metal showing little change for most of the day rising quite sharply at the time of the afternoon fixing. Tension over Poland added to nervousness in the gold market. The morning fixing was at $534.00, with gold moving up to $539.50 at the afternoon fixing.

In Paris the 12½ kilo gold bar was fixed at FFr 87,000 per kilo ($547.16 per ounce) in the afternoon, compared with FFr 87,700 ($552.87) in the morning, and FFr 86,200 ($544.78) Wednesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 35,940 per kilo ($534.03 per ounce), against DM 35,880 ($533.25) previously, and finished at $538-541, the same level as in Zurich, compared with $527-530 on Wednesday.

	Mar. 26		Mar. 25	
Gold Bullion (fine ounce)				
Close	$538-541	(£238-240)	$527-530	(£233¼-235)
Opening	$533-536	(£235¾-237¼)	$532-535	(£234¾-236¼)
Morning fixing	$534	(£236.283)	$533.25	(£235.579)
Afternoon fixing	$539.50	(£238.664)	$528	(£233.628)
Gold Coins				
Krugerrand	$558½-560	(£248¼-248¾)	$544-545	(£241-241½)
1/2 Krugerrand	$293-294	(£130¼-130¾)	$281-282	(£124½-125)
1/4 Krugerrand	$147-148	(£65¼-65¾)	$143½-144½	(£63½-64)
1/10 Krugerrand	$62-63	(£27½-28)	$60½-61½	(£26¾-27¼)
Mapleleaf	$553½-555	(£246-246½)	$541-542	(£239¾-240¼)
New Sovereigns	$138-139	(£61¼-61¾)	$132½-133½	(£58¾-59¼)
King Sovereigns	$148-150	(£65½-66½)	$148-150	(£65½-66½)
Victoria Sovs.	$148-150	(£65½-66½)	$148-150	(£65½-66½)
French 20s	$168-171	(£74½-76)	$167-170	(£74-75¼)
50 pesos Mexico	$658-663	(£292½-294½)	$655-660	(£290¼-292½)
100 Cor. Austria	$517-521	(£229¾-232)	$515-520	(£228¼-230½)
$20 Eagles	$635-640	(£282¼-284½)	$637-642	(£282¼-284½)

MONEY RATES

NEW YORK	
Prime Rate	17-17½
Fed. Fund	14¾-14⅞
Treasury Bills (13-week)	12.87
Treasury Bills (26-week)	12.59
GERMANY	
Discount Rate	7.5
Overnight Rate	11.90
One month	13.20
Three months	13.375
Six months	12.90
FRANCE	
Discount Rate	9.5
Overnight Rate	11.875
One month	12.625
Three months	12.4375
Six months	12.50
JAPAN	
Discount Rate	6.25
Call (Unconditional)	7.5625
Bill Discount (three-month)	7.53125

LONDON MONEY RATES

Mar. 26 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	11-14	11¾-12⅛	—	—	11½-12⅛	10-12	—	—	—
2 days notice	—	—	12¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12½-12⅞	12⅞	—	—	—	—	—	—	—
One month	[illegible]	[illegible]	12¾	—	13⅛	13-13¼	12	—	—	—
Two months	[illegible]	[illegible]	—	14-13⅝	13⅛	13⅛	12	—	—	—
Three months	[illegible]	[illegible]	—	[illegible]	[illegible]	13⅛	12	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
One year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Local authorities and finance houses seven days' notice, others seven days' fixed. [illegible]

FINANCIAL TIMES SURVEY
Friday March 27 1981

Scottish Banking, Finance and Investment

Industry and commerce have been struggling badly, forcing companies to rely on the banks' help to keep going, yet the banking and financial sectors are generally providing many opportunities. The proposed merger between Royal Bank and Standard Chartered has important implications.

Princes Street, Edinburgh: thriving sectors exist despite the country's prevailing economic gloom

Budget brings hard realism

By Ray Perman

THE DEPRESSED reaction which afflicted industry and commerce in Scotland following the Budget earlier this month has at least wiped away some of the false optimism which existed about the prospects for later in the year. There may be an upturn at the end of 1981, as many forecasters have predicted, but before then things are likely to get worse.

Scotland has suffered badly during the past year with manufacturing output declining by about 10 per cent according to some estimates and unemployment rising from 8 per cent to 11.5 per cent on the seasonally-adjusted figure. Many companies, squeezed between falling demand and rising costs, reacted by reducing stocks, cutting their workforces and going to their bankers for help in bridging cash flow problems.

Spending on private investment was cut and in gloomy surveys, the Scottish CBI and the Scottish Council for Development and Industry predicted a very much reduced level of capital expenditure in 1981. As a result, the council estimated, 25,000 jobs could be lost in Scottish manufacturing during the present year and as many as 60,000 in the economy as a whole.

In identifying the cause of the slump there is much talk of "the world recession," yet there is a good case for arguing that Scotland has not yet felt the effect of the slowdown in other economies. In its latest quarterly Economic Bulletin, the Fraser of Allander Institute of Strathclyde University says the export performance of Scottish industry stayed remarkably buoyant during 1980, probably because companies were still working through orders obtained when the pound was at a lower level on the international exchanges.

Domestic demand also remained high as earnings rose at a rate which easily outstripped the rise in prices.

The institute's forecast for 1981 is therefore depressing stuff. Exports will decline, reflecting the recent strength of sterling and the slowdown in the world economy and investment will fall further, in the public as well as the private sector, it says.

Since the Budget, we can add that consumer demand will also fall in response to the direct and indirect tax changes made by the Chancellor and the expected renewed rise in inflation.

Response

The institute's estimates are that manufacturing output in Scotland will fall faster than in the UK as a whole: flattening out to an index level of 89 (1975=100) in the second half of the year, compared to between 91 and 92 for the country as a whole.

Unemployment will rise from the present level of 285,000 to 327,000 by the end of the year and the total labour force of Scottish manufacturers will drop from 520,000 now to 504,000.

In the light of the Budget those estimates can probably be looked at as over-optimistic. The 2 per cent cut in Minimum Lending Rate will ease the cashflow problems of those companies with heavy borrowings, but it is unlikely to induce many to change their mind about investing and already seems to have been discounted by the foreign exchange markets.

Set against this is the effect that the increased duty on spirits will have — at least in the short term — on the important whisky industry and the slowdown in North Sea operations which could result from the imposition of the new Supplementary Petroleum Duty.

The oil industry is very important to the Scottish economy and its contribution to the construction, engineering and service industries helped to protect the country from the worst of the last recession in 1974-75. Operating companies have already said they are unhappy about the new tax and about the uncertainty it has created about the future intentions of the Government.

If this unhappiness became translated into delaying or slowing down projects now underway or in the planning stage, it could be extremely serious for Scottish manufacturers, although the effects might take a while to work through.

So far in this recession manufacturing industry has taken the brunt, but the labour shedding that has occurred has merely hastened a process that has been under way for some time. Between 1971 and the end of last year manufacturing employment dropped from 669,000 to 555,000, according to Scottish Office figures, and the rate of decrease has been accelerating.

The Government has been relying heavily on service industry employment to make up some of those lost jobs, but the short-term outlook for the main service industries is not good. Until now public sector employment has hardly been touched by the recession (local authority manpower has actually been rising, to the consternation of Ministers), but the situation is unlikely to last.

The public spending plans for Scotland, outlined in the expenditure White Paper issued alongside the Budget statement, envisage a £300m cut in the allocation to the Scottish Office over the next three years, with almost every service except health, social work and law and order being trimmed. Housing will be most heavily affected, losing £227m over the next three years, but education will also suffer, with a £63m cut.

Impression

Up until now public spending has actually been rising, notwithstanding the impression created by Government and Opposition speeches, and what sacrifices have had to be made because of the trimming of future increases, have been made in capital spending rather than current expenditure.

It is hard to see how this situation can go on much longer and, with the Government taking powers to penalise councils which impose excessive rates increases, local authorities will soon be left with no room to manoeuvre. It has already been estimated that 6,000 Scottish teaching jobs could disappear in the next three years as a result of the cuts.

Nor can the Government look with much confidence to the private sector for a massive jobs increase. A report for the Scottish Economic Planning Department by Prof. Max Gaskin of Aberdeen University suggested that in the five years to 1984 the rate of growth of new jobs in the financial sector—one of the biggest growth areas in the 1970s—would fall to nearly half its level for 1970-77.

Of the 9,000 new jobs expected in this sector by 1984, about half would be created by the clearing banks, Prof. Gaskin maintained. However, this figure should be treated with caution. The clearing banks disagree with it, not because they find any fault with Prof. Gaskin's methodology, but because having seen the forecast they are determined that it should not come true. Their costs have been rising alarmingly over recent years and they are determined to hold staff numbers as near as possible to their present levels.

The short-term future for Scotland does not look bright and it would be idle to pretend otherwise. But there are some sectors—electronics is one—that have been only brushed by the recession and where output and employment is growing and new investment is being made all the time. And, as always, there are companies in the worst hit industries and the worst offected areas of the country doing better than merely surviving.

CONTENTS

That merger: the future of the perfect match

THE PROPOSED merger between the Royal Bank of Scotland group and Standard Chartered, announced two weeks ago, represents a major strengthening of UK banking, but is likely to mean a significant weakening of the Scottish financial scene.

It is hard to fault the argumentof Sir Michael Herries, Royal's chairman, that the two partners were a perfect match for each other. Standard Chartered is a major London-based overseas bank which has few branch banking interests in the UK and has only recently begun the slow and expensive process of trying to build up a retail network in Britain.

Royal, on the other hand, derives most of its revenues from UK banking through its two clearing banks, the Royal Bank of Scotland itself and Williams and Glyn's, a smaller London clearer with about 300 branches. The Royal has been interested seriously in developing overseas for only five years and, although it has made rapid progress, is only a shrimp to Standard Chartered's activities.

Together, the two groups have the makings of an integrated bank which, with the expansion of Williams and Glyn's—the key to success of the merger—could increase competition in UK banking to the benefit of the industry and its customers. Sir Michael was a little premature, but pointing in the right direction when he said: "From now on it will be the Big Five rather than the Big Four."

The Royal, as a domestic bank operating north of the border, could go on much as it is now. But the likelihood is that the whole operation will be streamlined on a nationwide basis within the next few years.

The group management of Royal had already realised the mistake of running Royal and Williams and Glyn's as separate banks for the past decade. Whether or not the Standard deal had come about, it was likely therefore that a new nationwide structure would have evolved. This would have been accompanied by a common name throughout the UK, and a fully-integrated management.

The merger with Standard Chartered is likely to result in a separate management structure for the Royal group continuing, and this may well be located eventually in London. But, as Mr. Peter Graham, group chief executive at Standard Chartered, said the other day: "We will exclude nothing in the objective of becoming a great bank."

Whereas the Royal and the Bank of Scotland have developed overseas activities as the fastest-growing aspect of their business, Clydesdale has had to be much more restrained, channelling its foreign business through the Midland.

The other interesting Scottish aspect of the merger will be the position in which it leaves the Bank of Scotland. There is speculation that a bid for the Royal's main rival will come soon, but no evidence of one so far.

The extinguishing of Bank of Scotland by a merger or takeover would be a severe blow, not only for Scottish banking but also for banking in the UK as a whole. After the merger Bank of Scotland becomes the most significant of the independent banks left in the UK and one which has shown itself capable of innovation and flexibility on a scale which the Big Four have not matched.

Bank of Scotland, however, presents a less attractive target than the Royal. It has no English clearing bank within its group and has only recently begun an expansion into the English market.

The 35 per cent shareholding that Barclays holds in the Bank of Scotland represents a bulwark against an outside bidder and it is likely that the Bank of England or the Monopolies Commission would raise some objection if Barclays itself mounted a bid.

Ray Perman

Trying to make the rules work

SCOTTISH DEVELOPMENT AGENCY

RAY PERMAN

IT IS 18 months since the Government issued the Scottish Development Agency with fresh investment guidelines, intended to bring a new sense of commercial realism into its activities and to encourage closer working with private sector financial institutions.

The new rules were not dramatically different from those left by the Labour Government, which had brought the agency into being in 1975, and their failure to restrict or abolish the agency's freedom to invest annoyed some hardline Tories.

Instead, they sought to do three things: to encourage the agency *not to invest where private money was available*; to promote maximum co-operation with the private sector; and to allow companies to buy back the agency's equity stake.

The agency's response to the guidelines was to welcome them and to insist that they were not very much different from the practices it had already been following. The task of regenerating Scotland's economy was so huge that, of course, the agency would not invest where other money was already available. It also produced figures to illustrate that it had been in close co-operation with private institutions.

Identified

In the five years up to the publication of the new guidelines it had provided only 35-40 per cent of funds for the companies in which it had invested, the remainder coming either from the managements or shareholders, or from banks for investment institutions. Further, it identified £6-£7m of investment which had initially come to the agency, but been passed on to the private sector.

In addition, a number of investments had already been sold back voluntarily to the managements or other shareholders, a notable example being Clydedock Engineering, a successful Clydeside ship repair business started with *agency help, but now returned* to 100 per cent private ownership.

The Government, however, wanted more tangible proof that the agency was acting commercially and was taking its responsibilities to the private financial sector seriously. Mr. Alex Fletcher, Scottish Industry Minister, initially conceived the idea of a new private/public investment bank for Scotland, in which the agency would be involved with the Scottish financial community.

That notion was dropped after a thorough drenching in cold water from the Scottish clearers.

A second scheme met with a less chilly reception from the private sector generally and found some favour with the agency. Its industrial portfolio, which at that time was returning heavy losses, was to be hived off to a new holding company — provisionally named Scothold—which, although a 100 per cent subsidiary of the agency, would have private directors on the board.

The hope was that in time private money would be attracted into Scothold.

The agency saw the new company as a means of separating its industrial investments from its other work and improving its monitoring and supervision of its holdings. During 1980 it came close to establishing Scothold, but has now shelved the idea indefinitely.

The reason is that over the past year the agency's internal justification for setting up a holding company has largely disappeared. Of its five subsidiary companies (where it has a controlling interest) two of them (Stonefield Vehicles and R. L. Munro) are in Receivership; one (Henry Ballantyne and Sons) has been sold; and one more (Lothian Electric Machines) is now the subject of possible sale negotiations. That leaves only one subsidary.

Similarly, several of the associated companies have been sold, or have collapsed.

"Now that our portfolio has contracted so that we only have two subsidiary companies and three or four associates, the main reason for setting up Scothold has disappeared," says Mr. Robert McEwan, the agency's financial director. 'The disposals happened because the time was right for them to happen, he insists, rather than because the agency felt under pressure from the Government *to reduce its holdings*.

Nevertheless, the agency is taking its responsibilities under the new guidelines seriously and has included in the internal checklist, which its investment officers use to appraise new investment opportunities, questions intended to ensure that the guidelines have been followed.

But there have been fewer opportunities to demonstrate its willingness to co-operate with the private sector. Although investment proposals still keep coming in, the agency has slowed down the pace of new investment and it is now much less willing to take majority equity stakes.

"We will not take majority holdings because of the pressure it would put on our own staff. We find ourselves more and more drawn into supporting the managements because of the pressure they are under," Mr. McEwan says.

The private sector, for its part, still has considerable goodwill towards the agency, although the attitude of Mr. Jeremy Hayward, manager of the Edinburgh office of Industrial and Commercial Finance Corporation, is typical: "We view the agency as a rival and our policy is to get on as well as we can with our rivals."

Competitor

Bankers and investment company executives generally see the agency as a competitor for both equity and loan finance. There are frequent complaints from the private sector that the agency is able to undercut rates on loans because it is not required to make a profit on its lending activity.

The agency rejects this accusation, pointing out that it is tied to the National Loans Fund, whose rates are usually higher than those available to commercial banks through the inter-bank or other markets, and has to charge its borrowers 1 or 2 per cent more than that to meet its obligation to break even.

For the future the agency is committed to a closer relationship with the private sector, but the logic of its guidelines is that it will either withdraw altogether from equity finance or will take the high-risk investments that others are not willing to bear.

Continuing help for businesses

CLEARING BANKS

RAY PERMAN

NOW THAT the cries of anguish from the clearing banks over the windfall profits tax imposed by the Chancellor in his *Budget* earlier this month have died away, we can begin to assess the likely effect.

The three Scottish clearers were no less annoyed by the new tax than their London Big Four counterparts, who had seen it coming and tried unsuccessfully to head it off with counter proposals. Initial estimates suggested that the Royal Bank, the Bank of Scotland and the Clydesdale will between them have to find about £30m.

The galling thing from their point of view is that although the once-for-all levy was inspired by a year of dramatically increased profits (1979-1980), the following year produced flat results and the year in which the money actually has to be paid (1981-1982) probably will see profits declining.

The effect of the tax will be substantially to reduce (some people suggest it will halve) retained profits, so restricting the growth of shareholders' funds and hence ultimately restricting lending, since the Bank of England regulates lending by using a formula based on those funds.

What the Chancellor appeared to be doing was gambling that the fall in lending to industry which has already been apparent in the first part of this year will continue and that his measures to help industry—particularly the 2 per cent cut in minimum lending rate—will enable companies to rely much less on the support of the banks.

Gamble

Whether that gamble pays off remains to be seen, but the fact is that Scottish industry has been leaning very heavily on the three Scottish clearers during the extremely difficult period of the last year and that many businessmen have been thankful that bank profits were high enough to encourage bankers to turn a blind eye to some practices which in happier times they would have stamped on.

Small businesses have been hit hardest as the big manufacturers have withdrawn subcontract work, but some of the largest employers have been severely affected and at least one of Scotland's leading companies owes its continued existence to the tolerance of its bank.

Some companies with insufficient cash flow to meet their obligations have been allowed by their bankers to add their interest payments to their debts.

"We have been helping many companies over a bad situation in the expectation that the future will be better," says Mr. John Burke, managing director of the Royal Bank. "We have always had the feeling that part of our job in life has been to maintain Scottish industry as well as to help it to advance. Our livelihood depends on Scottish industry and commerce, so we have a vested interest in helping it to *survive*."

This help has not been without cost. The Royal's profits last year at £100.1m pre-tax were static, despite a 20 per cent increase in business, largely because of a *greatly*-increased bad debt provision resulting from the effects of the recession on industry. The Bank of Scotland and the Clydesdale, both of which report within the next few weeks, are likely to share the same experience.

The cost is not only financial. The banks have been criticised by some accountants who act as receivers for calling them in too late, when little can be done to avoid liquidation. But Mr. Alex Macmillan, chief general manager of the Clydesdale, says it is a criticism made by people who do not have to take the responsibility.

"It does not reflect very well on a bank if, at the end of the day, the proprietors of a business find that the company is still solvent, although in other hands." Working in a very close community, the Scottish banks feel this pressure acutely.

Yet there are clearly limits to how far the banks can go and, as Mr. Macmillan puts it, there is always the feeling in the back of a bank chief executive's mind that most of the money at risk belongs to depositors and that there is no guarantee of an upturn in the economy by the end of 1981.

The windfall profits tax has also provided another incentive to the banks to try to keep down their costs, something they have not been very successful at doing in the past few years.

Wage award

Operating costs at the Royal—the only one to have published a figure so far—rose by 26 per cent in the year to the end of September, mostly because of an arbitration award to staff last year which increased the wage bill by about 20 per cent. Costs for the other two banks are likely to turn out at much the same level.

This year's pay negotiations (common to all three banks) should reach a conclusion early next month. The Banking, Insurance and Finance Union, representing all Scottish bank staff, has submitted a claim which would add over 20 per cent to the salary bill, but the banks are hoping for a settlement at below half that level.

All three banks are heavily committed to finding means of increasing their business without taking on extra staff and were some way ahead of the Big Four in the introduction of cash dispensers and computer-linked teller terminals. Clydesdale is now more than half way towards its initial target of 100 of these machines and the Royal Bank, which is heading for 200, has already installed two at sites where it does not have a branch—the British Steel plant at Ravenscraig and a department store in Edinburgh.

Acceptance of the machines by bank customers has been overwhelming. At Christmas managers of some branches in Glasgow were having to go outside to tell customers queuing to use the machines during normal bank hours that the same services were available inside. Clydesdale has already started loading its machine with £5 and £10 notes rather than £1 and £5 in order to increase capacity; the Bank of Scotland will follow suit in the summer, and the Royal is thinking along the same lines.

The machines enable the cost of servicing current accounts to be reduced, but the banks are split on whether their use should be extended to the "high activity" deposit accounts which have been a bugbear to the Scottish banks for years. These accounts are used virtually as current accounts, although they attract interest on positive balances and therefore cost the banks dearly.

The Royal, shortly to be followed by the Clydesdale, has taken the view that the elimination of these accounts in the short term is an unrealistic objective and has therefore put them on to its "Cashline" dispensers as a means of reducing the cost of servicing them.

The Bank of Scotland, on the *other hand, has decided to try* to persuade its customers to transfer to current accounts and is using a variety of sticks and carrots to bring the switch about.

Withheld

Mr. John Wilson, the Bank of Scotland's joint general manager, said: "We threatened to stop standing orders from these accounts, but now we do not think we will have to do so, although we are charging very much more heavily for them than we do on current accounts. Deposit accounts are also being withheld from the bank's Autoteller dispenser systems as an *inducement to switch*. "People like Autoteller, but they can get it only if they move to current accounts."

Scope for cost reductions elsewhere in the banks' operations is limited, however. The Royal wants to try regional offices, which would offer the full range of specialist services, with satellite branches offering a much-reduced spread, but so far the plan is only at the experimental stage and a pilot scheme will not be tried until later in the year.

Other similar schemes are also being considered elsewhere, but with little real hope of making much impact on the total cost structure of the operation, *all three Scottish clearers* are looking for ways of expanding their revenue without incurring proportionate cost increases.

Expansion of overseas operations, which produced remarkable increases in business for the Royal and the Bank of Scotland a few years ago, continues with the Royal now having five U.S. offices plus a Hong Kong branch, and the Bank of Scotland about to change its New York office from representative to full branch status. However, demand in the currency markets has now slowed and both banks are content to see their currency portfolios grow more slowly rather than accept business on very tight margins.

At home, plans to reach a wider public through advertising or by mail are being restrained by the Bank of England, which wants to hold down personal lending.

Presence of London and foreign institutions brings widening search to win business

MERCHANT BANKS

RAY PERMAN

SCOTLAND'S BANKING is currently going through a period of renewed vigour when, despite the difficult economic situation, many new ideas are being put into practice. Nowhere is that more apparent than in the merchant banking sector.

Ten years ago merchant banking was practically unknown north of the border. Most companies dealt with their clearing bankers for all their corporate needs and the biggest and best known Scottish firms were content to travel to London for the specialist services they required.

Now that has changed. The level of sophistication among borrowers has reached down to the smallest firms and there is no shortage of competitors for their custom. Most of the leading London accepting houses are represented in Scotland; so are an increasing number of American, French, Canadian, Swiss, Irish and other overseas institutions and there is now a strong indigenous Scottish presence in the merchant banking field.

To some extent the tide has now turned. The two leading Scottish owned banks, British Linen, a subsidiary of the Bank of Scotland, and the independent Noble Grossart, are increasingly looking outside Scotland and, indeed, outside the UK for much of their business.

Mr. Iain Brown, chief executive of British Linen, says: "There has been a distinct shift in the nature of our business since we opened an office in London 18 months ago. It was operating profitably within a year of its establishment and now, with a staff of 15, it is the major provider of new business."

With an increasing percentage of the bank's business coming from outside Scotland, Mr. Brown aims to widen the markets available to him. He will shortly be putting a representative into Birmingham and will spread to other areas of the country in time if the business appears to be there.

Noble Grossart, which has just reported its twelfth consecutive rise in pre-tax profits, to £1.35m, has followed a different policy, keeping its banking operation to a modest level and its staff to a small size. Yet its field of operations long since ceased to be the borders of Scotland and the last year has seen a significant expansion of its North American activities as well as those in the UK.

As part of their activities both British Linen and Noble Grossart have launched investment companies (Melville Street Investments, and Noble Grossart Investments), which take stakes in Scottish and other companies.

The last year has also seen the birth of a number of other new investment funds, which will specialise in equity finance for small and medium-sized companies.

Scottish Allied Investors, a Glasgow-based fund with an initial capital of £3m, was launched by two Scottish banks, James Finlay and Co., and Royal Bank Development, corporate banking arm of the Royal Bank of Scotland, and a leading investment house, Scottish Western Trust.

Other Scottish trusts, including Murray Johnstone and Scottish American, have backed a £2m new venture capital company, Venture Founders Capital, which will use the methods of the U.S. risk capital company Venture Founders Corporation to assess new projects.

The same company is also advising Highland Venture Capital, a new consortium backed by the Highlands and Islands Development Board, the Bank of Scotland and Industrial and Commercial Finance Corporation. They aim, through a series of intensive working weekends, to be able to identify entrepreneurs who have the drive and ability to set up a successful company but do not have the proven track record demanded by most banks and investment institutions.

ICFC is, of course, a substantial backer of new companies in its own right and has three offices in Scotland, in Edinburgh, Glasgow and Aberdeen. Despite the apparent slowing of economic activity in Scotland in the last year, the corporation increased the number of loan and share investments it made North of the Border, from 110 in 1979-80 to 130 in 1980-81.

Nearly a third of the companies ICFC has invested in during the past 12 months have been start-ups—that is in their first three years of life—and it is also backing an increasing number of management buy-outs.

Mr. Jeremy Hayward, manager of ICFC's Edinburgh office, says that some managers are motivated to try to buy the companies for which they work to protect their own jobs, which may be threatened by closure. Often they have an unrealistic idea of what the business is worth, but in a surprising number of cases, the propositions they come forward with are backable.

Savers look for shorter investment periods

INSURANCE

ERIC SHORT

LIFE ASSURANCE continues to move ahead strongly in Scotland, despite a rather patchy new business result last year. Total funds of the nine member companies of the Associated Scottish Life Offices are in excess of £7bn covering a wide range of life and pensions business.

The accent on life assurance by the Scottish companies has always been heavily on profitability with security. Thus the emphasis has been on traditional with-profits schemes for savings, whether by the individual putting something aside or the self-employed person saving for his pension.

The basic concept of with-profits is that the contracts guarantee at outset a high level of benefit — either the sum assured which carries through to maturity or in the pension. To this basic benefit is added bonus additions at regular intervals, either annually or every three years. This provides the profit to the policyholder.

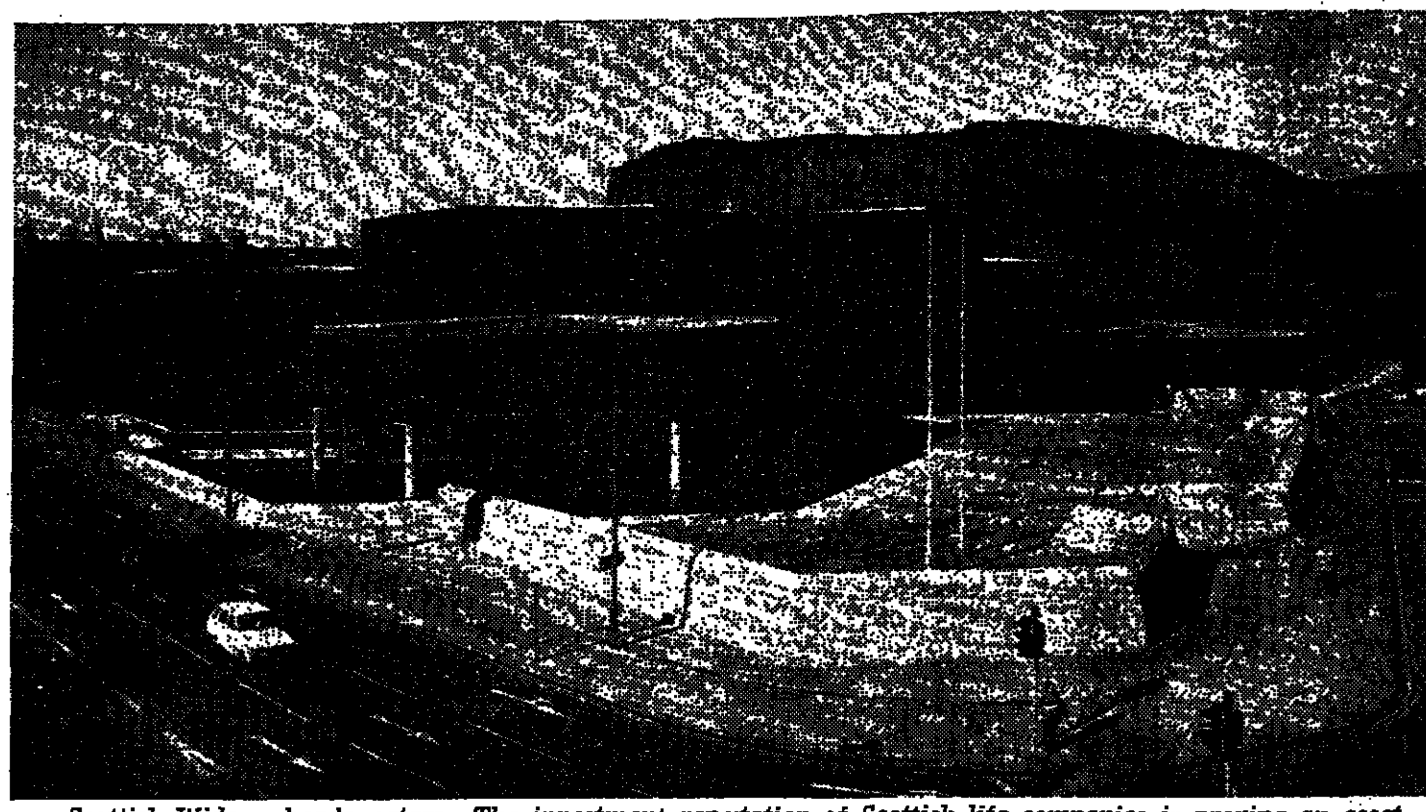
The levels of bonus declarations depend very much on the underlying investment performance of the funds. The Scottish Life companies have regularly come within the top few companies for performance, especially over the longer durations, highlighting the investment expertise built up over the decades.

Scottish Life Company celebrates its centenary this year, but it is a comparative newcomer. Scottish Equitable celebrates 150 years this year, while Standard Life, Scottish Widows and Scottish Amicable have all passed this landmark.

Savings habits are changing and sights are being set much lower by investors. Saving through life insurance is a long-term business. Contracts have to be for a term of at least 10 years in order to qualify for the tax relief. Savers these days want their money invested over much shorter periods, and a good deal of thought is being given to how to offer shorter investment periods without compromising tax relief.

Advantages

Investors are also appreciating the inherent advantages of unit-linked life assurance. Properly used, this can offer higher returns than conventional with-profits but without the guarantees. Insurance brokers and investment advisers are now getting to grips with the uses of life assurance in financial and tax planning.



Scottish Widows headquarters. The investment reputation of Scottish life companies is proving an asset

The net result is that the main use of conventional life contracts is to repay house mortgages. Last year was a dull period for the housing market and this showed in the figures. The general pattern in Britain last year was that conventional business, excluding pensions, barely moved ahead while linked business continued to grow strongly, capturing a larger share of the market.

This general trend had an adverse impact on Scottish life companies which are heavily dependent both on insurance brokers and conventional life business. Standard Life and Scottish Widows saw ordinary conventional life business barely change from the year before, while Scottish Provident and Scottish Equitable saw a decline in this type of business.

Self-employed pensions business was also patchy. Scottish Amicable, a leader in this field with its Flexipension contract, improved its sales, but Scottish Widows sales declined. A similar mixed pattern was seen in executive pension arrangements.

The redeeming grace for the Scottish companies was the heavy involvement in company pensions business. Despite more redundancies, the rise in earnings last year meant that premium income grew by 16 per cent on group life and pensions business. Standard Life, one of the leading pension companies in the UK, is still getting new pension schemes on its books.

The Scottish companies are not sitting still waiting for the housing market to recover. They are individually taking action to boost sales and get away from dependence on mortgage business.

The companies are moving away from conventional business and entering the linked market in a big way. Linked business is primarily about investment and the Scottish life companies have something to sell in this field. Standard Life fully entered the linked field at the end of 1979 and its funds now exceed £27m. Scottish Amicable entered a few weeks ago and has achieved even greater success with funds now approaching £10m in such a short period. The investment reputation of Scottish life companies is clearly proving a valuable asset.

Scottish Widows and Scottish Mutual have offered linked contracts for years without really marketing them. Both are likely to soon offer a full unit-linked service. Scottish Equitable may fully enter this field soon.

Life companies marketing conventional contracts found last year that insurance brokers were prepared to sell flexible endowment schemes, giving savers a choice of investment terms. Those Scottish companies offering such plans found them, in general, selling well. Scottish Widows, after remaining aloof for years, entered the field late in the year and had an instant success. Scottish Provident, the pioneer in flexible endowments, continued to record good sales.

The other action being taken by Scottish life companies to boost sales is to press for a restructuring of the commission rates paid to insurance brokers.

Commission for life companies who are members of ASLO or the English Life Offices Association is governed by an obligatory maximum scale. Last year the British Insurance Brokers Association endeavoured without success to get the scale relaxed in order to finance expansion.

Those English life companies which were sympathetic to the brokers' case have left or are considering leaving the LOA so they can pay brokers more commission on a self-financing basis. The Scottish life companies prefer to work within the LOA/ASLO structure and are pressing for a change in the commission structure. What happens if their English counterparts refuse to change remains to be seen.

Presence

Scotland has only one major general insurance company with its head office in the country—the Perth-based General Accident Group. Its life operation, Yorkshire-General, is based in York. GA is the largest motor insurer in the country and this enables it to proclaim that it is the largest personal insurer. Its strong presence in the UK personal insurance sector enables it to stand up well to the current depressed conditions in the world insurance market.

Last year GA showed a 7 per cent rise in pre-tax profits, despite underwriting losses rising from £18m to £27m and the strength of sterling which cost the group £4m. The buoyant UK scene and strong investment income growth overcame the deteriorating underwriting position.

GA is also a pioneer in consumer relations, a necessary thing for a group with a large personal insurance account. It has led the way in producing plain English insurance policies that are a model for others to follow. It is one of the three founder companies of the Insurance Ombudsman Bureau which has opened a new era in insurance protection for consumers.

Intense competition for customers

SAVINGS

TIM DICKSON

THE BATTLE for small savings has been no less intense North of the Border than elsewhere in the UK. But while some of the protagonists are the same, the relative strength of their assaults is often noticeably different.

Competition for the personal customer has greatly increased recently for several reasons. First, the banks have begun to hit back at their big rivals the building societies, anxious that their failure to attract deposits from the personal sector could ultimately inhibit their lending capacity.

Next, banks are only just waking up to the opportunity of attracting the "great unbanked," in other words the many millions of UK adults who do not have a bank account.

And, finally, there is the attitude of the Government, increasingly desperate to finance as much of its borrowing requirement as it can through National Savings. In theory, such a policy takes pressure off the capital markets, keeps interest rates down and encourages demand for funds from industry.

Target

In the first 11 months of this financial year National Savings has already scooped up more than £2bn through the new issue of index-linked savings certificates, the attractive 19th issue savings certificates and the consistently high rate of return offered on the National Savings Bank investment account. Next year, the Government's "take" is expected to reach a target which encouraged the Chancellor in this month's Budget to reduce the age limit on granny bonds from 60 to 50. Treasury Ministers have made it clear that they will not stop there.

Facing up to this challenge are the three big joint stock banks in Scotland: the Royal Bank of Scotland, the Bank of Scotland and the Clydesdale Bank. The Royal Bank is the biggest of these with about 600 branches throughout the country, the Bank of Scotland has about 400-500, and the Clydesdale, which reckons to have about 25 per cent of current banked business North of the border, has about 380 branches.

A significant feature of the Scottish banking scene is the relatively high number of customers who run deposit accounts and the relatively small number who use current accounts. Money held in a Scottish deposit account can be withdrawn on demand, it is operated with a pass book, and interest is paid on the minimum monthly balance — currently at about 8-9 per cent per annum.

This is a far cry from the familiar seven-day deposit account offered by the big four clearers elsewhere in the UK.

Deposit accounts in Scotland are therefore quasi current accounts and in one of the more innovative moves in Scottish retail banking recently, the Royal Bank of Scotland has developed its Cash Line Deposit account. With a Cash Line account, customers are no longer issued with the cumbersome and administratively costly passbook. Instead, they have a card which can be used to withdraw money at any of the bank's cash dispensers. At the same time they get a statement showing details of the last five transactions.

Interest on Cash Line minimum monthly balances—these have to be below £1,000—is currently being paid at 8½ per cent and according to the Royal Bank the scheme has been "highly successful." "It gives our customers 24 hour current account banking as well as a return on their money."

In addition to Cash Line the Royal Bank offers 9 per cent at the moment for accounts with £1,000 or over. Customers here retain their passbook and though notice of withdrawal is required the emphasis is firmly on saving. The Investment account, which currently pays 10 per cent at 28 days' notice, rounds off the main services offered.

Meanwhile, the Bank of Scotland, which had total deposits in its last balance sheet of £2.4bn, is out to attract more current account business, particularly through the medium of business customers. "Where there is the slightest interest we follow it up hard," says a spokesman. "More and more companies are anxious to pay their employees' wages into a bank account rather than hand out cash. We have been making presentations where both the employers and the employees are willing to have us in."

The Bank of Scotland spokesman pointed out that banks generally find it difficult to compete purely on the interest rate offered. "With their tax advantages building societies always have the edge here," he said. "On the other hand, we are able to offer a far wider range of services. We are, for instance, in the home loans market now and for the moment are well ahead with our through the wall cash machines."

Bank of Scotland's only kind of savings account is a Monthly Income Account but others may be on the way.

Roots

Clydesdale, a member of the Midland Bank group, is the smallest of the three Scottish clearers. The product of a natural marriage in 1950 between the Glasgow-based Clydesdale and the Aberdeen-based North of Scotland Bank, the Clydesdale has sprouted from its regional roots into a genuinely Scottish bank.

As at the Bank of Scotland, the main advertising impetus is for current account customers both through company presentations and the actively marketed free banking facility. Customers who keep their accounts in balance pay no charges—at most of the others the minimum balance is £50-£100.

Lloyds, Midland, National Westminster and Barclays all have their own presence in Scotland but this has a negligible effect on the market. The biggest competition for the big three Scottish banks comes from the Trustee Savings Banks. With 300 branches all over Scotland, the TSB spearheads its attack through regional banks: the Aberdeen (Grampians, Highlands and Islands), West of Scotland (mainly Strathclyde), Tayside and Central Scotland and South of Scotland (Edinburgh, Lothians, Borders).

Scotland, birthplace of the TSB's founder, the Rev. Henry Duncan, is tremendously loyal to the TSB and accounts for about £1bn out of the TSB's £6bn deposits in the UK as a whole.

According to the South of Scotland regional bank: "The TSBs have always been strong here. One in three of the population, we estimate, banks with the TSB throughout Scotland and there is tremendous penetration in certain areas. In Langham, Dumfriesshire, for instance, there is a population of 2,000 people but the local bank has 3,000 individual accounts."

Building societies inevitably complete the picture though the mushrooming of branches took place somewhat later than in England—beginning about the mid-1970s. The proliferation is not just confined to big societies like the Halifax, but overall they have not made quite the same impression in the last five years or so in Scotland as they have south of the border.

Shareholders force a new attitude

FUND MANAGEMENT

TIM DICKSON

ABOUT £3bn of investment trust money is managed from Scotland, much of it behind the elegant, if somewhat imposing Georgian facades of Charlotte Square, Edinburgh.

Away from the hustle and bustle of nearby Princes Street, generations of investment men have built an enviable reputation for sound, successful and often enterprising asset management.

As long ago as the 1880s Scots played an important role in financing North American railroads. More recently the heirs of these ambitious Victorians spotted the rich rewards of backing North Sea oil.

In the last few years, however, Scottish investment trusts have been through a dark tunnel from which they are only just emerging.

The problems—falling stock markets in 1973 and 1974, unmatched loans, a volatile dollar premium and the penalty—widening discounts—were by no means confined to trusts North of the Border, but they left in their wake puzzlement and confusion in the minds of those who had to pick up the pieces.

It would not be unfair to say that the Scottish investment trusts paid for their stuffy possibly complacent image in the 1960s, a decade in which too many investment trust offices were, as one investment manager admits today, "simply a place to fill in time between home and the golf course." The competition for pension fund assets which is now building up behind the scenes should have started five years ago.

Transformations of course do not take place overnight but a new attitude seems to be developing in the minds of many of the men who run Scottish investment trusts.

Forced

Most of them are being rudely forced to realise that institutional shareholders—for better or for worse the main buyers of investment trust stock—are no longer interested in large, composite trusts with a broad spread of investments round the world—typically 70 per cent in the UK, 20 per cent in the U.S. or North America and the rest elsewhere.

Pension funds and insurance companies, as the analysts consistently point out, are quite able to run their Blue Chip portfolios—what they want is professional management in highly specialised sectors like Japan, high technology and oil exploration.

A glance at trusts' individual ratings in the stock market — where demand is no longer simply influenced by the relative discount — illustrates this new trend. Shares of some companies whose managers are thought to be enterprising and imaginative stand at lower discounts than their competitors — for the moment, at any rate.

This trend towards specialisation is not without risk. High technology and the Far East may be fashionable at the moment but if they lose their appeal or fail to live up to their promise, discounts will obviously widen and the present honeymoon could quickly end. The specialised European trusts, set up in a cloud of Common Market euphoria at the beginning of the 1970s, are a case in point.

Many of the "old school" of investment trust men therefore still preach the virtues of a general portfolio, where geographical and currency risk is well diversified. Reluctantly, sometimes, they equally appreciate that demand for this sort of vehicle has fallen off and the ultimate penalty for persevering with their philosophy is a takeover bid or unitisation.

Edinburgh Fund Managers, which runs five trusts, is one group which is beating a path back to specialisation. "We intend to give all our trusts firm identities," says Mr. Graham MacLennan, investment manager. "We are planning to increase the U.S. content of the American trust and we are constantly looking at ways of making General Scottish more interesting." The group's most significant recent move, however, was the successful launch of the £11m New Tokyo Investment Trust.

New Tokyo's policy is to concentrate on small Japanese companies. Crescent Japan, the other Far East trust in the same stable, sticks mostly to large and medium sized stocks. According to Mr. MacLennan the new Tokyo policy is going well with institutional shareholders. He is proud that at a recent shareholders' seminar few had heard of any companies in his New Tokyo portfolio.

Stewart Fund Managers, which runs the £100m Scottish American Investment Trust Company, and the smaller and rather less successful Scottish European, has also made its mark recently with the unquoted portfolio of Scottish American and its drive to attract private investors.

Mr. James Ferguson, investment director, argues that trusts cannot give up on the individual, and Scottish American's latest annual report, which includes a special section for "beginners," is a testimony to this belief. As for unquoteds, Stewart is currently looking at ways in which it can develop its expertise, possibly through another vehicle.

Specialise

Over at Baillie Gifford, the £15m Winterbottom Trust has recently changed its spots to specialise in energy and energy-related stocks and is now renamed Winterbottom Energy Trust. Initial reaction, according to Hamish Buchan of stockbrokers Wood Mackenzie, has been favourable in spite of a forecast 70 per cent cut in dividend. Murray Johnstone has also been busy renaming in an effort to more clearly identify the aims of its individual trusts. Their performance has picked up recently following a poor period but there is still some doubt about how quickly the portfolio will change to reflect the avowed new investment policies.

Another move which has not only created interest in Edinburgh is the recent formation of the first specialist oil trust to come to the market for nine years, New Darien Oil Trust. The managers, Hodgson Martin, a newly formed investment management group, will be concentrating on small oil and gas exploration companies mainly in the U.S., though other areas including Australia and Canada will be considered.

The low discounts of the other specialist energy companies (Winterbottom, Viking Resources and Oil and Associates are the others) illustrate the strong demand for this sector of the market.

It should not be forgotten, however, that trusts can still do well without tying themselves to a particular policy. Those rushing into specialist ventures would do well to look at the example of the £140m Edinburgh Investment Trust, which has sustained a 9-10 discount over the last year against a sector average of well over 20 per cent. In the 11 months to the end of February the company's share price went up around 60 per cent.

Mr. Grant Cochrane, investment manager, says the company does specialise but "the difference between us and some of the others is that we move the assets around when we think certain sectors have had their day."

"I cannot complain about our rating but I sometimes feel the public tends to go for the latest fashion and forget about people like us."

During the last year Mr. Cochrane has been moving money out of the UK into the U.S. and to a lesser extent into the Far East. He has also reduced the trust's weighting towards mining and energy and increased the exposure towards financials.

Investment trusts today are undoubtedly a much more exciting sector than they were a year ago and many Scottish companies are leading the way.

Considerable problems still remain. Sharp young managers are sometimes blunted by the old-fashioned attitudes of those on the board. Reluctance to cut dividends is a major constraint to policy changes—for example, increasing the overseas content of a portfolio. And there is always the danger that the pressure for change may lead some trusts up a blind and ultimately dark alley.

Despite this the Edinburgh investment scene is a lot livelier and a lot healthier than it has been for some time.

SCOTLAND'S BIGGEST TRUSTS

Trust	Total net assets at 28/2/81 £m	Net asset value total return to 31/1/81 5 year	Net asset value total return to 31/1/81 1 year	Price total return to 31/1/81 5 year	Price total return to 31/1/81 1 year
Alliance Trust	187	+ 49.2	+ 19.5	+ 40.1	+ 24.2
Scottish Investment	172	+ 61.7†	+ 23.7	+ 55.8	+ 33.7
Scottish Mortgage	154	+ 56.1	+ 23.4	+ 55.0	+ 30.5
British Investment	152	N/A	+ 19.9	+ 37.6	+ 27.0
Edinburgh Investment	145	+104.8	+ 32.5	+135.1	+ 54.9
Scottish United	141	+ 67.2	+ 19.6	+ 64.1	+ 31.3
British Assets	126	+ 96.0	+ 15.4	+116.0	+ 25.9
Scottish Eastern	121	+ 54.9	+ 19.5	+ 47.3	+ 25.2
Investors Capital	103	+ 53.7	+ 20.3	+ 58.0	+ 29.4
Scottish American	102	+120.0	+ 29.2	+132.9	+ 32.6
Scottish National	100	+ 72.4	+ 27.1	+ 73.1	+ 36.6
Murray Western	99	+ 65.6	+ 25.0	+ 48.9	+ 28.2
Murray Clydesdale	89	+ 66.2	+ 26.2	+ 60.0	+ 37.5
Great Northern	87	+ 66.6	+ 19.0	+ 69.7	+ 25.3
Atlantic Assets	83	+303.1	+ 19.4	+555.1	+ 73.1
American	82	+ 88.4	+ 25.5	+ 95.8	+ 43.3
Scottish Northern	80	+110.3†	+ 20.3	+113.6	+ 32.1
Monks	77	+ 60.5	+ 22.8	+ 74.7	+ 27.8
Securities Trust of Scotland	68	+ 51.9	+ 17.6	+ 50.7	+ 21.1
Securities Alliance Trust	62	+ 49.8	+ 20.9	+ 40.4	+ 23.8
Northern American	62	+ 60.8	N/A	+ 54.4	+ 32.9

† Based on Wood Mackenzie simulated month-end net asset values calculated from published company data as at non month-end dates.
Source: Wood Mackenzie.

PROFILE: IVORY AND SIME

With £750m under management the group is Scotland's largest investment house, having overcome mixed fortunes to become the market leader, as Tim Dickson reports.

An emphasis on oil

IVORY AND SIME is a name which provokes strong reactions around Charlotte Square. Scotland's largest independent investment house with £750m under management, the group has enjoyed mixed fortunes in the last few years but boasts a remarkably successful recent record in terms of new business and performance. Not everybody in Edinburgh likes Ivory and Sime but most admit it is the undisputed market leader.

The group's shop window displays its five investment trusts (excluding North Sea Assets) but it also runs significant sums of money for private clients, insurance institutions and pension funds. About 10 years ago, according to Mr. Robert Maasdijk, the chief executive: "We decided to give each trust a specific identity. It was then up to investors to decide what sort of specialisation they required."

Electronics

There is, of course, a particular emphasis on oil, Atlantic Assets and Viking Resources, for example. Edinburgh American Assets concentrates on capital growth in North America, British Assets on income principally in the UK and America and, most recently, Independent Investment Company on high technology, notably electronics.

The recent flotation of Independent, via a rights issue to shareholders of Atlantic Assets, was designed to tap institutional demand for a trust specialising in technology-based unlisted and special situations.

Ivory and Sime has been quite active in the last few months, announcing in October a one-for-one Viking Resources rights issue (the first investment trust rights issue since 1972) to raise £9.87m. In this Viking was exploiting both the continued demand for opportunities in the oil and gas industry and its own excellent record over one and five years.

Over the 12 months to September 30, 1980, for example, the total return on net asset value went up 69.1 per cent while the total return on the share price was 126 per cent.

Atlantic Assets also has a splendid five-year record and a good long-term record but it went through a dicey patch in the mid-1970s, particularly with the Edward Bates acquisition. However, Ivory and Sime's most controversial venture has been North Sea Assets, the £20m North Sea investment company. North Sea Investment company. set up in 1972. Originally floated at £20 per share, the company's purpose was to enable institutional investors to buy a direct investment in the construction and service sectors of North Sea oil development. Risks were always envisaged but not quite on the scale which resulted.

The best-chronicled disaster was the stake in Viking Jersey Equipment, owner of the Viking pipelaying barge. This was delivered too late to be useful and a large amount of debt had to be written down. The stake has been sold recently at close to the original purchase price. The shares had fallen to about £8 each when the company was refused a quotation on the Stock Exchange in 1979 and an angry revolt by shareholders inspired some unwelcome headlines.

NSA's investment policy has now been broadened, not without opposition, and the share price has climbed back almost to the original issue price.

According to one of the fund's investment managers, Mr. Robert Randall, Ivory's persistence has been justified. "We were asking shareholders not to throw in the towel at the bottom of the cycle."

Mistakes

Says Mr. van Maasdijk: "We admit that mistakes were made with North Sea Assets. In retrospect, we didn't give shareholders enough information and the joint management was a mistake."

One of Ivory and Sime's most successful and most envied ventures is its management of U.S. pension fund money. This complements its sizeable UK pension fund business.

Started as a joint operation with an American investment company in 1978 the idea met with initial scepticism. Today, however, Ivory has nine accounts totalling more than $100m, including slugs from some major corporate names such as Xerox and Sun Company.

Competition in this field is considerable — in particular from the likes of the London-based merchant banks and other independent investment companies such as GT. Mr. David Nichol, the director spearheading the U.S. pension fund drive, says: "We have identified this as a growth area. There are billions of U.S. pension fund assets and if we can just get a fraction of this we will be doing well. If we do a decent job for our existing clients we will get more money from them."

Ivory and Sime's investment aims—a real return over the long term—are far from unique but the group's style sets it apart from its rivals in Charlotte Square. "As well as specialising in our investment trusts," says Mr. van Maasdijk, "we offer pension funds a particular type of service. We do not concentrate so much on maturing companies, rather on trying to find companies which even in a sluggish environment still have above average prospects."

Thus the typical Ivory and Sime pension fund portfolio would have an above average proportion of unquoted investments and special situations.

What's more, Ivory and Sime actually try to get their message across. "The world is not going to come to Edinburgh unless we get off our backsides and go out and chase the money," says Mr. van Maasdijk. "I often wish that more of them would do the same because this would mean more business for us all."

If Edinburgh's low profile is slowly changing, Ivory and Sime must take much of the credit for it.

WORLD STOCK MARKETS

No clear early Wall St. trend

AFTER WEDNESDAY'S upsurge *which took the Dow Jones Industrial Average to an eight-year high*, Wall Street failed to establish a clear trend yesterday morning as investors expressed opposing opinions on the outlook for stock prices. However, trading was very heavy.

The Dow Industrial Average, up 19 points the previous day, was a marginal 0.45 easier at 1,014.77 at 1 pm, but the NYSE All Common Index added 17 cents at $78.99. Advances led declines by a small margin. Trading volume came to 49.31m shares, sharply exceeding Wednesday's 1 pm figure of 35.70m.

Robert Stovell, of Dean Witter Reynolds, said there was "*massive liquidation on the part* of institutions who bought earlier and think the market is ahead of itself, and even more buying on the part of institutions who were building cash earlier and don't want to be left behind completely."

Analysts also said there is growing hope that substantially all of President Reagan's Budget cuts would be approved by Congress.

They added, however, that the outlook for interest rates remains murky, while the tensions in Poland and friction in the Reagan Administration were potentially unsettling factors.

Interest rate-sensitive stocks, however, were firmer. Volume leader Sears Roebuck tacked on ¼ to $18⅜, K Mart ⅛ to $19⅞ and American Telephone ⅜ to $52⅜.

Flexi-van jumped 9½ to $29½. The company said a group of *British investors have proposed* to buy Flexi-van for $35 a share in cash. Seligman and Latz climbed 2⅛ to $10⅞ on favourable Press comment.

Among Blue Chips, General Motors gained ⅜ to $55⅛, U.S. Steel ⅛ to $35 and Procter and Gamble ⅞ to $71⅜.

Gold shares firmed as Bullion prices rose on news that Polish labour unions are to proceed with a four-hour strike today. *ASA put on 1⅞ to $55⅞*, Dome Mines 1⅞ to $89½, Homestake ⅞ to $60⅛ and Campbell Red Lake 1⅛ to $55⅞.

THE AMERICAN SE Market Value index was 1.16 higher at 363.19 at 1 pm. Volume 5.12m shares.

Closing prices for North America were not available for this edition.

Canada

The recent uptrend continued in active trading early yesterday, leaving the Toronto Composite *index 7.0 stronger at 2,343.4 at* mid-day. Golds moved ahead 57.3 to 4,411.5 and Oil and Gas 18.5 to 4,452.2.

Tokyo

The introduction of tighter controls on margin trading from yesterday depressed market sentiment and caused many shares to retreat amid widespread profit-taking. However, large-capital issues such as Heavy Electric Machines, Steels and Shipbuildings put on a fresh show of strength on active buying.

The Nikkei-Dow Jones Average receded 18.69 from Wednesday's all-time high to close at 7,307.27. *The Tokyo SE index declined* 1.16 to 528.02, while falls outscored rises on the First Market section by 428 to 243. There was another substantial turnover of 500m shares (450m).

Most high-priced Light Electricals, Precision Instruments, Textiles, Foods, Drugs and Chemicals lost ground, while Vehicles and Motor Components fell on uncertainty about Japanese motor exports.

Sony and *TDK Electronics fell* Y50 each to Y3,920 and Y4,290 respectively, while Victor Japan lost Y70 to Y3,080, Toyota Motor Y39 to Y840 and Honda Motor Y18 to Y632, but Datsun manufacturers *Nissan Motor put on* Y9 to Y740.

Among the large-capital issues, Hitachi rose Y20 to Y409, Yasukawa Electric Y33 to Y414, Toshiba Y12 to Y303, Kawasaki Steel Y6 to Y185 and Hitachi Shipbuilding Y6 to Y226.

Coals and Oils were also mainly higher against the general trend.

Milan

A further strong advance occured in active trading, lifting the Banca Commerciale Italiana index 5.90 more to 244.50. Further heavy buying as an inflation hedge continued to be the main spur for the market.

There was also talk of some large capital increases being announced.

IFI, the holding company of Fiat, and Italcementi, the group controlled by financier-industrialist Carlo Pesenti, both responded to rumours that their boards, meeting next Monday, might announce capital operations favourable to shareholders. IFI rose L390 to L7,700 and Italcementi L4,000 to L58,000.

Australia

Adversely affected by lower gold and metal prices and a lack of overseas buying interest, the Mining and Oil sectors and other Resources-related issues displayed a weakening tendency yesterday. Industrials, in contrast, remained firmer-inclined.

The Australian All Ordinaries index dipped 3.8 to 701.7, Metals and Minerals 9.6 to 622.5 and Oil and Gas 5.8 to 969.8.

BHP shed 15 cents to A$14.20, CSR 10 cents to A$6.90, CRA 23 cents to A$4.68, Western Mining 14 cents to A$5.26, Woodside Petroleum 10 cents to A$2.60 and Moonie Oil 40 cents to A$15.00.

However, Crusader Oil put on 20 cents to A$6.90, Hartogen Energy 10 cents to A$8.40 and gas producer Santos 20 cents to A$21.00.

Among Gold Minings, GMK declined 40 cents to A$8.30.

Bond Corporation raised its holding in Sydney retail group Waltons to 76.1 per cent through *market purchases of over 10.1m* shares yesterday, all in the first hour of business, at the Bond offer price of A$1.10 per share, while yesterday the final day of the market offer, Bond rose 10 cents to A$3.30.

Thomas Nationwide Transport, which attracted solid interest on Wednesday and rose 15 cents, ended a net 10 cents higher at A$2.55 after a strong opening at A$2.65 on rumours that a share raid was being mounted involving the Bell Group.

Hong Kong

Stock prices mainly turned downwards in another moderate business, following a rally on Wednesday. The Hang Seng index receded 17.79 to 1,450.51.

Last minute buying saw most prices finish above their lows for the day, *however*, after declining on steady selling pressure. Sentiment was depressed by high local money market interest rates, which make a cut in Prime Rate today unlikely, dealers commented.

A few special situations made a bright showing against the trend. Carrian Investments advanced 60 cents more to HK$9.50. Traders said there were reports that a director of Carrian *had amassed a 5 per cent stake in* Jardine Matheson — a leading stock often mentioned by market observers as performing unusually well. The rumour was denied by Jardine, but the shares managed to close unchanged on the day at HK$23.70.

New World Development moved ahead 60 cents to HK$5.85, but Sun Hung Kai Properties, despite sharply higher interim dividend and profits, retreated 60 cents to *HK$15.40*.

Germany

Shares were firmer for choice after quiet trading.

Deutsche Bank featured with an advance of DM 4.50 to DM 290.90 amid renewed rumours that it may increase its dividend.

Domestic Bond prices were narrowly mixed, with some gaining up to 30 pfennigs and others recording losses to 40 pfennigs. The Bundesbank sold DM 6.6m of paper after buying DM 7.6m on Wednesday.

Johannesburg

Gold shares were modestly easier in quiet trading despite a recovery in the Bullion price.

COMMODITIES AND AGRICULTURE

Hefty EEC farm price rises likely

BY LARRY KLINGER IN STRASBOURG

A DECISION yesterday by the European Commission and the European Parliament paved the way for agreement by EEC member countries on hefty price rises for farmers under the Common Agriculture Policy, an operation that still accounts for nearly 70 per cent of the European Community's annual £13bn expenditure.

The Commission announced proposals for devaluations by most member countries of their artificial agricultural exchange rates that would effectively boost prices in addition to any possible agreement by the Community's Agricultural Ministers in their 1981-82 farm price package to be discussed next week.

The European Parliament yesterday called for increases in the package of an average 12 per cent, thus providing the Ministers with added ammunition with which to breach the Commission's proposed limit of 7.8 per cent.

The most important battle to be joined when the Council of Agriculture Ministers meets in Brussels on Monday is now expected to revolve around what economies and savings are to be made to compensate for the projected damage to the EEC Budget and its effect on the Commission's mandate to "reschedule" the Budget away from farm spending.

The Commission has virtually conceded that the Ministers will ignore its 7.8 per cent limit and will now concentrate on protecting its proposed measures that would require farmers to share increasingly the costly burden of disposing of surplus production.

The prospect now is that the Ministers will agree on an average increase approaching 10 per cent, a level substantially above the Commission's limit, but below the emotional double digit figure opposed by Britain and West Germany, the foremost advocates of a "prudent" prices policy.

The Ministers are helped by what the current president of the council, Mr. Gerrit Braks, of the Netherlands, described in Strasbourg as the "gift from heaven" provided by the EEC currency realignments, following the weekend devaluation of the Italian lira.

This would provide, under Commission proposals announced yesterday, "hidden" added increases for most countries of between 2.5 per cent (France) and 9 per cent (Italy).

Britain and West Germany, the two strong currency countries, would not receive any automatic increases but would be under less pressure to change their favourable agriculture currency rates and thereby benefit more fully from any farm package price rises.

Meanwhile, the Commission also failed to win Parliament's support for its measures to control surplus production and the cost of subsidies. The Parliament not only rejected all amendments that would have supported the Commission on prices but most of those that would have committed the Parliament to stern control

Tin talks end in stalemate

BY BRIJ KHINDARIA IN GENEVA

THE INTERNATIONAL Tin Agreement negotiating conference was adjourned without conclusion yesterday, a day earlier than originally scheduled. It is likely to be resumed here on June 6.

Mr. Peter Lai, conference chairman, told delegates he felt that enough progress has been made to raise hopes for completion of an agreement at the next negotiating session.

Both producers and consumers, except for the U.S. agreed with Mr. Lai. But the U.S. felt important differences remained to be resolved before it could join any new tin accord.

The main problem areas for the U.S. were the size of the buffer stocks; how it would be managed and financed; the price levels to be supported; the role of export controls; the distribution of voting shares; and frequency with which any agreed price ranges should be reviewed.

That list covers almost all the issues under negotiation at the conference for the past year.

In spite of some serious reservations, all other consumers and producers feel that two sets of proposals presented by Mr. Lai are sufficient basis for successful conclusion of an Agreement. The first set deals with the size of stocks and how they would be operated, and the second deals with almost all other important issues including voting shares, borrowing to pay for stocks, floor and ceiling prices, and tin production

The producers as a group said consumers should expect no concessions at the conference's next session because in giving their acceptance in principle, to both sides of Mr. Lai's proposals they had already gone below their "bottom line."

Upward move in metals

BY JOHN EDWARDS, COMMODITIES EDITOR

SPECULATIVE buying, and the easier trend in the value of sterling against the dollar, brought a general increase in London metal market prices yesterday. Encouraging the uptrend was the further rise in gold and concern about the situation in Poland.

On the London Metal Exchange cash copper wirebars closed £16.25 up at £839.75 a tonne and moved further ahead in later dealings. Cash tin was £65 up at £6,145 a tonne in spite of a small fall in the Penang market overnight and the inconclusive end of the tin pact negotiations in Geneva.

Other metals were higher too. Lead and zinc shrugged off a report from Australia that ore production was now picking up at the Broken Hill mining complex.

Earlier this week Broken Hill Associated Smelters said it had been forced to reduce refined lead output at its Port Pirie plant because of a shortage of lead concentrates as a result of the recent strike and subsequent unrest at the Broken Hill mines.

Disease threat recedes

By Richard Mooney

HOPES THAT the British foot-and-mouth outbreak may have been contained grew yesterday as the fifth day of the alert passed with no new cases being confirmed. Equally important there have been no new cases in northern France, the assumed source of last weekend's Isle of Wight outbreak, for several days.

French officials said they were optimistic that their outbreak had been contained and restrictions on livestock movement were already being eased, Reuter reported from Paris.

The British Ministry of Agriculture was being more cautious with officials pointing out that it was possible for animals to go up to 14 days before displaying symptoms after picking up foot-and-mouth virus. It is unusual for incubation of the disease to take more than five days, however.

The Isle of Wight case is still the only one in Britain, but the ban on animal movements in a 1,000 square mile area covering the island and parts of Hampshire and Dorset will remain in force for at least 21 days.

Only 166 British cattle have actually contracted the disease all of them on the Isle of Wight.

Hunts fight silver probe

DALLAS — The Hunt Energy Company said yesterday it had filed a Federal court suit aimed at limiting an investigation into silver futures trading by the billionaire Hunt family, including Nelson Bunker Hunt and W. Herbert Hunt.

The Securities and Exchange Commission (SEC), a federal government agency, is accused of exceeding the limits of its jurisdiction in an investigation which began about a year ago.

A Hunt Energy spokesman said that the Hunts had cooperated fully with the investigation for nearly 12 months, supplying copies of more than 25,000 documents.

The spokesman said the SEC's latest request involved business activities of a highly competitive nature which were not related to the original investigation. Reuter

CEREALS MARKET

UK role as an exporter

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

IF ANYONE had told me 10 years ago that Britain was becoming a big exporter of cereals, I would have called their sanity into question. Ten years ago the average degree of British self-sufficiency was 60 per cent of total usage of 21m tonnes. Total usage is now about the same but Britain is now 86 per cent self-sufficient, and between 3.25m and 3.5m tonnes of wheat and barley will have to be exported to clear the stores before next harvest starts in July.

The reason for this development has in the main been the sharp increase in production over the past 10 years. Yields have risen by at least a tonne a hectare for both wheat and barley. Last year's harvest, which is estimated at 19.2m tonnes of all cereals, was a record. The outturn in 1970 was just over 13m tonnes.

In 1970, the farmer received £31.25 per tonne for wheat and £28.73 per tonne for barley. For this last harvest the returns have been over £100 on average for wheat and £95 for barley.

This rate of return exceeded the annual rate of inflation in the early years, and allowed farmers a margin which enabled them to stimulate output by adding fertilisers and chemicals to a degree that would have been unthinkable 10 years ago. They were able to practice what is called high farming, as against the low farming, which was necessary for survival in the 1960s.

Last year's record crop may have been a fluke due to favourable weather, total production was up by 1.8m tonnes of wheat and barley. But I believe this sort of yield could become the norm and rise even higher as farmers become increasingly locked into the high input, high return system of cereal growing, which is only the practice of a minority at present. Another 10 per cent increase of this year's levels would bring the harvest to the 21m tonnes, which approximates to the total usage of grain for human and industrial purposes.

The implications of this on Britain's previous pattern of cereal trading could be important. Imports are already falling from an average of 8.4m tonnes between 1976 and 1979 to 5.1m tonnes for this season. These imports are of hard wheats and maize.

Some traders claim that these imports have fallen to minimum levels and that no further substitution by British supplies would be possible. The disincentive to users of imported grain is considerable with levies of £50 per tonne on wheat and £46 on maize. For instance a levy-paid U.S. Red Winter wheat would cost £153 per tonne cif as against about £120 for UK.

If further substitution is not practical the exportable grain surplus in Britain could in a short space of time rise to between 5 and 6 million tonnes. Nor is over production the only factor in creating this surplus. There has been a significant fall of 4.8 per cent in the production of compounds in 1980 and there are also signs of an increasing use of cereal substitutes, manioc, soya meal, maize gluten wheat feeds etc. which are allowed into the EEC at low or nil levy.

This substitution has not yet reached the levels practised in Holland, but a persistence of high cereal prices and reduced demand in the UK for compounds will be bound to intensify this trend.

Of more immediate concern is the disposal of the residue of the 1980 harvest before the cereal year ends on July 31. Wheat exports are expected to amount to roughly 1m tonnes as against an original estimate by the Ministry Agriculture of 0.73m tonnes.

There has been a good demand for wheat and this has led to a firming of prices for feed wheat. Some compounders have been switching to barley. But the price here has not yet risen to intervention levels.

By February 20 some 1.15m tonnes of barley had been exported leaving a balance of 1.25m tonnes to be shipped by the end of the cereal year on July 31. This quantity is within the port's capacity, but some traders think the barley surplus has been understated and fear hat the ½m tonnes of barley in intervention could still be hanging over the market at the end of the cereal year.

Although deliveries into intervention are matching sales at present, significant quantities of barley are being sold by tender for export. It is likely that intervention stocks will be low at the end of July.

The tender prices accepted in February were between £79 and £83 per tonne delivered to the nearest port. This means that the cost of buying and storing and then selling intervention barley would be wel lover £30 per tonne at least. This cost could, of course, be set against the import levies.

Any surplus barley is likely to be left in traders or farmers hands and there could be significant offers to intervention in May before the intervention price drops in June.

The overall world cereal market looks decidedly "bearish" at present in marked contrast to the position in early December. Southern hemisphere maize crops have been very good. Northern hemisphere wheat sowing is significantly up and the Russians seem to have managed in spite of the U.S. embargo to secure enough supplies and have good harvest prospects.

Ivory Coast still against pact

ABIDJAN — The Ivory Coast Government has given no indication that it has softened its opposition to the terms negotiated last November for the new International Cocoa Agreement in spite of optimism in some quarters that will sign.

At a meeting of the Cocoa Producers' Alliance in Douala last week other producers tried to persuade the Ivory Coast to join the agreement.

But a Western diplomat specialising in commodities said yesterday: "I have heard nothing yet that makes me think they have changed their mind."

Meanwhile, a senior Ivory Coast Agriculture Ministry official said he had the impression there was growing support for Ivory Coast's point of view within the alliance. At the Geneva talks last November only Togo and Gabon, both minor producers, supported the Ivory Coast. Since then, no other country has publicly indicated agreement with the Ivorian's stance.

At a meeting of the International Cocoa Organisation in London three weeks ago the Ivory Coast's Agriculture Minister, Mr. Denis Bra Kanon, called for an *ad hoc* committee to reconsider the price range under the new agreement. The accord negotiated in Geneva envisaged an initial price range of 110 to 150 U.S. cents per pound.

Western diplomats here said the Ivory Coast was particularly unhappy with the semi-automatic mechanism for adjusting prices.

One said the Ivorians were arguing for "something like the European Community's Common Agricultural Policy." He said they wanted to be able to plan their spending.

Visiting the Ivory Coast recently, British Foreign Secretary Lord Carrington, and Trade Under-Secretary, Lord Trefgarne, told officials it was in Abidjan's interest to sign the pact. But British cocoa traders have brought a different message. They are reported to have told Government officials that with over 20 per cent of world production, Ivory Coast could easily afford not to sign.

In neighbouring Ghana, which is more dependent on cocoa than any other country, officials have been clinging optmistically to the belief that the Ivory Coast will join the agreement.
Reuter

FMC to close NZ subsidiary

FMC, the British meat processing and trading group, is closing its subsidiary company in New Zealand, FMC (meat) NZ at the end of the current season. The company is used for procuring New Zealand lamb.

Mr. George Cattell, FMC's chief executive, said: "over recent years the annual sheepflock in Great Britain has increased substantially. With the advent of the EEC sheepmeat regime, combined with continuing high interest rates, it is no longer economic for FMC to tie up millions of pounds of working capital in a direct procurement and contract slaughtering operation in New Zealand.

"We shall be increasing our production of English, Scottish and Welsh lamb, some of which may be frozen.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Sharply higher on the London Metal Exchange reflecting unease over the Polish situation, the consequent rise in Gold, the decline in sterling and persistent short covering which lifted forward metal from £846.5 to the day's high of £863.5 by the close of the late kerb. Turnover: 43,600 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	834-.5	+9.5	839.5-40	+16¼
3 months	856.5-7	+9	862-.5	+15.5
Settlem't	834.5	+9.5	—	......
Cathodes				
Cash	828-9	+8.75	832-4	+16
3 months	845-.5	+8.75	849-50	+15
Settlem't	829	+10	—	......
U.S. Prod	—		*87-90.5	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £835, 34.5, 34, three months £855, 56, 57, 58, 57, 57.5, 57, 56.5, 56, 56.5, 57, 58, 57.5, 57. Cathodes, cash £829, 28. Kerb: Wirebars, three months £856, 57. Afternoon: Wirebars, three months £860, 61, 62, 61.5, 62, 63, 62, 62.5. Cathodes, three months £849. Kerb: Wirebars, three months £862.5, 63, 63.5, 64, 64.5, 64, 63.5, 64.

TIN—Firmer in the wake of other metals with short covering and speculative moving forward metal ahead from £6,180 to £6,250 by the close of trading. Turnover: 815 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6110-20	+57.5	6140-50	+55
3 months	6205-10	+22.5	6235-40	+55
Settlem't	6120	+40	—	......
Standard				
Cash	6110-20	+57.5	6140-50	+55
3 months	6205-10	+22.5	6235-40	+55
Settlem't	6120	+40	—	......
Straits E.	‡30.65	-0.02	—	......
New York	—	......	—	

Morning: Standard, cash £6,100, 10, 20, 10, three months £6,190, 6,200, 10, 05, 10, 20, 15, 10. Kerb: Standard, three months £6,210, 15, 10. Afternoon: Standard, three months £6,210, 15, 20, 25, 30, 35. Kerb: Standard, three months £6,230, 40, 50.

LEAD—Gained ground following the strength of copper which saw forward metal rise from £328 to £333 at the close of the afternoon kerb. Turnover: 9,925 tonnes.

Morning: Cash £324, 24.5, 25.5, 26, 27, 26.5, 27, three months £330, 31, 31.5, 32, 32.5. Kerb: Three months £322, 31.5, 31. Afternoon: Three

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	326-7	+3.5	326-7	+6.5
3 months	332-.5	+1.75	333.5-4	+7
S ment	327	+3.5	—	......
U.S. Spot	—	......	*36	......

months £332, 32.5, 32, 33, 33.5, 34. Kerb: Three months £334, 33.5, 34, 33.

ZINC—Higher in sympathy with other metals. Three months opened at £347 and gradually moved up to close the late kerb at £352.5. Turnover: 8,250 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	340-1	+2.75	342-3	+5
3 months	349.5-50	+3	351-2	+5¼
S'ment	341	+3	—	......
Primw'ts	—	......	*41.5	......

Morning: Three months £349.5, 49, 49.5. Kerb: Three months £349.5, 49, 49.5. Afternoon: Three months £350, 51, 50.5, 51, 51.5. Kerb: Three months £352, 51.5, 51, 52, 52.5.

ALUMINIUM—Advanced as the fall in sterling and the general performance of metal markets encouraged light, fresh buying which lifted forward metal to a day's high of £652 prior to a close of £651. Turnover: 9,625 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Spot	636-8	+.5	642-4	+9
3 months	644.5-5	+2	650-1	+6.25

Morning: Three months £646, 45, 44.5. Kerb: Three months £645.5, 45. Afternoon: Three months £646, 47, 48, 49, 50, 51. Kerb: Three months £649, 49.5, 50, 51, 52, 51.

NICKEL—Edged higher in sympathy with other metals with three months closing the late kerb at £2,808. Turnover: 216 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
Spot	2815-25	+15	2820-5	+15
3 months	2795-800	+17.5	2800-5	+24

Morning: Three months £2,795. Afternoon: Three months £2,800, 10, 05.
* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

CORAL INDEX: Close 516-521 (+12)

Oil Index
Refined July '81 $42.00

Oil Futures
Refined Oct. '81 $45.50

SILVER

Silver was fixed 6.55p an ounce lower for spot delivery in the London bullion market yesterday at 571.3p. U.S. equivalents of the fixing levels were: spot $12.885, down 19.5c; three-month $13.345, down 19.2c; six-month $13.819, down 20.1c; and 12-month $14.821, down 19.7c. The metal opened at 568-577p ($12.85-$13.05) and closed at 578p-587p ($13.05-$13.25).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	571.30p	-6.55	582.00p	+11
3 months	588.15p	-7.0	599.50p	+11
6 months	605.15p	-6.45	—	......
12 months	643.15p	-6.75	—	......

LME—Turnover 68 (167) lots of 10,000 ozs. Morning: three months 593.5, 93, 90. Kerb: three months 590.5. Afternoon: three months 597, 96.5, 98, 600.

WOOL FUTURES

LONDON NEW ZEALAND CROSS-BREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Mar. 335, nil, nil; May 348, 351, nil; Aug. 360, 363, 360-357; Oct. 358, 363, 363-362; Dec. 371, 373, 370; Jan. 376, 378, 378-377; Mar. 380, 383, 382-381; May 382, 384, 384-383; Aug. 384, 388, 386. Sales: 119.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kilo. May 482.5, 484.0, 486.0-482.0; July 486.1, 488.0, 489.0-483.5; Oct. 481.5, 482.0, 483.0-480.0; Dec. 485.5, 486.5, 486.0-484.0; Mar. 495.0, 496.0, 495.0-495.0; May 498.0, 500.0, 500.6-498.0; July 502.5, 503.0, 503.6-502.0. Sales: 393.

COCOA

Futures opened £5 higher in line with New York and remained steady throughout another featureless day. Physical business was scarce although some manufacturers continued to price fix existing contracts. Arbitrage buying also lent support and prices closed with gains of around £10, reported Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
March	870-74	+3	870
May	937-38	+10.5	939-32
July	963-64	+10	964-55
Sept.	982-83	+10	984-77
Dec.	1002-03	+7	1004-999
March	1022-23	+5.5	1024-21
May	1040-42	+7	1040-39

Sales: 2,114 (same) lots of 10 tonnes.
ICCO Futures—Daily price for March 25: 96.60 (97.38); five-day average 97.80 (98.20).

COFFEE

Early dealer selling prompted a slightly easier opening but values quickly recovered in light volume following trade support around the lower levels. A featureless afternoon saw fluctuation in the recent range but prices tended to base on commission house selling in nearby positions, reports Drexel, Burnham, Lambert.

COFFEE	Yesterday's Close £ per tonne	+ or —	Business Done
March	1043-40	-8	1050-40
May	1052-50	-12.5	1059-50
July	1047-45	-10.5	1053-45
Sept	1047-46	-10.6	1053-47
Nov	1046-45	-9.5	1048-46
Jan	1047 45	-8	1047-46
March	1042-38	-10	1046-42

Sales 1,618 (6,852) lots of 5 tonnes.
ICO Indicator prices for March 25: (U.S. cents per pound): Other Mild Arabicas 129.17 (same); Robustas ICA 1976 115.50 (same); ICA 1968 115.75 (same). Unwashed Arabicas 218.50 (same). Comp. daily ICA 1968 unquoted.

GRAINS

	WHEAT		BARLEY	
Mnth	Yesterd'ys close	+ or —	Yesterday close	+ or —
May	115.10	-0.05	99.85	-0.35
July	116.85	-0.25	—	......
Sep	99.70	-0.40	94.30	+0.15
Nov	103.00	+0.25	97.70	+0.05
Jan	106.85	+0.20	101.25	......

Business done—Wheat: May 113.10-112.75, July 16.40-116.00, Sept. 99.70-99.40, Nov. 103.00-102.85, Jan. no trades. Sales: 74 lots of 100 tonnes. Barley: May 100.00-99.70, Sept. 94.40-94.25, Nov. 97.80-97.75, Jan. 101.35 one trade. Sales: 39 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Hard Winter 13½ per cent Mar. 102.50, April 102.45, May 102.25 east coast sellers. English Feed fob May 117.25, June 116.25 east coast sellers. Maize: French first half April 123 transhipment east coast seller. S. African Yellow Mar./April 87 seller. Barley: English Feed fob April 104.25 east coast seller. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: S. East 113.00, N. West 116.00. Feed barley: S. East 99.00, W. Mids 95.00, N. West 98.40. The UK Monetary Coefficient for the week beginning Monday March 30, is expected to remain unchanged.

Old crops opened lower. Trade was thin, but good support at the lower levels steadied values. New crops saw good suport for the nearby positions and values closed higher, reports Acli.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 105 tonnes, bringing the total for the week so far to 472 tonnes. Mixed operations indicated some freer involvement among spinners. Activity centred on Middle Eastern growths including Russian and Turkish.

RUBBER

The London physical market opened steadier, with little interest at higher levels, closing easier. Lewis and Peat reported an fob April price for No. 1 RSS in Kuala Lumpur of 279.00 (273.5) cents a kg and SMR 20 at 253.5 (249.5).

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
May	58.00-58.40	55.90-56.00	58.00
Apr-Jne	57.30-57.50	55.80-56.00	57.40-57.80
Jly-Sept	60.00-60.10	60.10-60.20	60.30-60.00
Oct-Dec	65.00-65.20	65.10-65.20	64.00-65.00
Jan-Mar	65.90-66.10	66.00-66.10	66.00-65.90
Apl-Jne	68.70-68.90	69.00-69.10	—
Jly-Sept	71.50-71.70	71.90-72.00	—
Oct-Dec	74.50-74.70	74.80-74.90	—
Jan-Mar	77.80-77.70	—	78.70

Sales: 307 (611) at 15 tonnes 9 (36) at five tonnes. Physical closing prices (buyer) were: Spot 53.50p (same); May 58.50p (58.25p); June 58.50p (59.00p).

SOYABEAN MEAL

The London market opened slightly better in dull conditions, reports T. G. Roddick. Prices remained steady on commission house buying but trades selling pared gains and the market closed unchanged.

	Yesterdys Close £ per tonne	+ or —	Business Done
April	124.50-24.8	+0.10	124.50-24.20
June	126.30-26.4	-0.05	126.80-25.80
August	128.10-28.5	-0.10	128.50-26.00
October	130.40-30.5	+0.15	130.50-
December	131.80-32.5	+0.40	—
Februray	135.00-36.0	+0.25	—
April	134.80-37.5	+0.75	—

Sales: 63 (70) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £241.00 (£251.00) a tonne for cif March-April-May shipments. White sugar daily price was £269.00 (£276.00).

Quiet conditions prevailed with prices locked in a very narrow trading raneg around overnight closing levels, reports C. Czarnikow.

No. 4 Con-tract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
May	243.35-44.00	247.80-48.00	248.50-42.00
Aug.	240.00-40.25	243.75-44.00	246.00-38.00
Oct.	235.50-35.85	237.80-38.00	237.50-32.00
Jan.	221.00-22.00	222.50-24.00	—
March	221.00-21.10	221.80-22.05	221.50-17.00
May	220.05-20.50	221.25-21.75	220.50-19.00
Aug	220.00-20.50	220.50-21.25	—

Sales: 6,143 (7,762) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.6 (same) a tonne for home trade and £320.00 (£328.50) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for March 25: Daily price 22.51 (22.87); 15-day average 21.66 (21.67).

POTATOES

LONDON POTATO FUTURES—The market opened steady with small profit-taking still in evidence and at lunch was 20p-50p up on old crop, reports Coley and Harper. However, the afternoon saw more sellers and the market eventually closed only 30p up in quiet trading. Closing prices: April 52.60, +30 (high 53.30, low 52.30); Nov. 57.30 +50 (high 57.30, low 57.30); Feb. 66.20 −20. Turnover: 97 (268) lots of 40 tonnes.

MEAT/VEGETABLES

MEAT COMMISSION—Average Fatstock prices at representative markets on March 26. GB—Cattle 89.75p per kg lw (+0.87). UK—Sheep 176.07p per kg est d c w (+5.36). GB—Pigs 72.71p per kg lw (+0.86).

SMITHFIELD—Pence per pound.

Beef: Scotch killed sides 72.8 to 76.8; Eire Hd. qtrs. 85.8 to 87.8; F. qtrs. 56.0 to 57.2. Veal: Dutch Hinds and Ends 112.0 to 114.0. Lamb: English small 76.0 to 82.0; medium 76.0 to 80.0; heavy 70.0 to 78.0; Scotch Heavy 62.0 to 80.0; Imported Frozen: N.Z. PL 55.0 to 56.0; PM 54.0 to 55.0. Pork: English, under 100 lbs 46.5 to 51.0; 100-120 lbs 43.5 to 49.0; 120-160 lbs 43.5 to 47.0.

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Oranges—Jaffa: Shamoutis 50/189 4.85-5.25; Spania: Navels 48/100 4.20-4.80; Cyprus: V. Lates 80/120 3.30-3.60; Moroccan: Navels 64/113 4.20-4.80. Lemons — Spania: Trays 25/54 2.20-2.40; 15-kg boxes 5.50; Italian: 100/120 3.75-4.50; S. African: 80/100 5.80; Jaffa: 5.80. Grapefruit—Cyprus: 20-kg 40/64 3.20-3.40; Jaffa: 20-kg 36 4.45, 40 4.50, 48 4.65, 56 4.40, 64 4.05, 75 3.85. Mandarins—Spania: 126/140 4.20, 154 4.00, 168 3.80, 182 3.40. Wilkings—Spania: 80/98 5.50, 126 5.20, 140 5.00, 154 4.80, 168 4.50, 182 4.20; Jaffa: 22-lb 80/90 4.20. Apples—French: Stark Crimson 40-lb 5.20-6.00; 20-lb 72 2.80, 84 2.40, Granny Smith 40-lb 6.50-7.20; 20-lb 72 3.50, 84 3.00, Golden Delicious 40-lb 125/175 4.50-5.40; 20-lb 72 2.80, 84 2.40; S. African: Dunn's Seedling 188/125 7.20; Italian: 40-lb Romes 60/70 4.40, Granny Smith 19/20-lb 60/70 2.80. Hungarian: Starking 44-lb 6.40; Canadian: Red Delicious 135/150 7.50-8.50; U.S.: Red Delicious 8.50-10.00; Belgium: 28-lb, per pound Cox's 0.10-0.14; Dutch: 28-lb, per pound 0.08-0.14. Pears:

★

GRIMSBY FISH — Supply fair, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £3.50-£4.00, codlings £2.80-£3.50; Large haddock £4.30-£5.90, medium £3.80-£4.70, small £2.40-£3.20; Best small plaice £2.50-£3.80; skinned dogfish (small) £9.00; Lemon soles (large) £12.50, (medium) £11.00; Saith £1.80-£2.30.

PRICE CHANGES

	Mar. 26 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1470/1560	......	$1450/480
Copper			
Cash w'bar	£839.75	+16.25	£801.5
3 mths	£862.25	+15.5	£824.5
Cash Cathode	£833	+16	£797.5
3 mths	£849.5	+15	£812
Gold troy oz	$539.5	+11	$491.5
Lead Cash	£326.5	+6.5	£321.5
3 mths	£333.75	+7	£331.25
Nickel	£3,358.65	......	£3,156
Freemkt	275/500c	......	285/305c
Platin'mtr'y oz	£213.5	......	£215.50
Freemkt	£237.90	+5.06	£211.20
Quicksilver†	$415/430	......	$395/405
Silver troy oz	571.30p	-6.55	565.60p
3 mths	588.15p	-7.0	583.30p
Tin Cash	£6,145	+65	£6,120
3 mths	£6,237.5	+55	£6,257.5
Tungsten 22.04lb	$146.23	......	$144.21
Wolfrm 22.04 lb	$149/52.5	......	$150/154
Zinc Cash	£342.5	+5	£332.5
3 mths	£351.5	+5.25	£342.25
Producers	$825	......	$825
Oils			
Coconut (Phil)	$570w	-5	$580
Groundnut	‡	......	‡
Linseed Crude	£408y	......	£404
Palm Malayan	$595v	......	$615
Seeds			
Copra Philip	$380	......	$405
Soyabean (U.S.)	$318.5	-1.5	$312.50
Grains			
Barley Futures	‡	......	£100.30
Maize			
French	£123y	......	£123
Wheat			
No 1 Red Spg.	‡	......	‡
No2 HardWint	£102.50	-0.5	£107.50
Eng. Millingt	‡	......	‡
Other commodities			
Cocoa ship't	£1,033	+10	£1016
Future May	£937.5	+10.5	£930.5
CoffeeF't May	£1051	-12.5	£1041
Cotton A.Index	90.90c	......	94.85c
Rubber (kilo)	53.5p	......	57.50p
Sugar (Raw)	£241.0rw	-10	£258
Woolt'ps 64s kl.	315p kilo	+3	316p kilo

† Unquoted. u May-June. x March-April. w April-May. v May. y April. z Indicator. § Buyer. ‡ Per 45 lb flask. * Nominal.

AMERICAN MARKETS

NEW YORK, March 26, 1981.

The precious metals and copper rose on the tension in Poland. Cocoa was mixed with light selling. Coffee was mixed on uncertainty surrounding the status of Pan Cafe Stocks while light industrial price fixing supported sugar in the back months. Grains and Soyabeans declined on prospects for precipitation and on scepticism surrounding the lifting of the grain embargo. The livestock complex remained firm on good commission house buying. Cotton was mixed with light selling based on the weakness in grains. Heating oil prices drifted lower due to the weak cash market and a crude product glut, reported Heinold.

Potatoes (round whites) — April 144.1-145.5 (149.7). Nov. 82.3-82.5 (81.6), Feb. 92.5-94.0, March 100.0-101.0, April 113.2-114.0.

Tin—639.00-644.00 (640.00).

CHICAGO, March 25.

Lard—Chicago loose 19.50 (same).

Live Cattle—April 62.55-62.45 (61.35), June 66.80-66.95 (65.52), Aug. 67.67-67.67, Oct. 66.12-66.20, Dec. 67.40, Feb. 68.40, April 69.40.

Live Hogs—April 42.80-42.70 (41.67), June 49.17 (47.67), July 50.90, Aug. 50.35, Oct. 50.05, Dec. 53.20, Feb. 55.90, April 53.97, June 57.80.

Pork Bellies—May 51.12 (49.12), July 52.65 (50.65), Aug. 51.90, Feb. 64.05, March 63.70.

‡‡Maize—May 362-362½ (366), July 370½-370½ (374½), Sept. 373-373½, Dec. 373-373½, Mar. 383¼, May 388¼.

†Soyabeans—May 761-762 (776), July — (800), Aug. 792½-793, Sept. 788½, Nov. 814-814½, Jan. 832, March 852, May 867.

‖Soyabean Meal—May 216.2-217.0 (219.4), July 224.2-224.5 (227.2), Aug. 226.8-27.0, Sept. 231.0, Oct. 233.0-233.5, Dec. 236.5, Jan. 239.0-239.8, March 242.5-243.5.

Soyabean Oil—May 24.51-24.54 (25.04), July 25.30-25.32 (25.79), Aug. 25.60, Sept. 25.80, Oct. 26.10, Dec. 26.65-26.75, Jan. 26.80-26.85, March 27.50-27.55, May 28.00-28.05.

WINNIPEG, March 25.

§Barley—Mar. 144.30 (146.10), May 147.20 (148.60), July 147.20, Oct. 146.30, Dec. 147.00.

†Wheat—May 426½-427½ (434½), July 436-438½ (442½), Sept. 450½, Dec. 471½-472, Mar. 490.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

Wednesday's closing prices

NEW YORK, March 25.

††Cocoa—May 2046 (2035), July 2100 (2090), Sept. 2146, Dec. 2205, March 2255, May 2305, July 2356. Sales: 1,234.

Coffee—"C" Contract: May 128.30-128.90 (128.72), July 127.00-127.25 (127.89), Sept. 126.20-126.50, Dec. 124.00-124.50, March 122.50-123.00, May 123.00, July 123.00-124.00. Sales: 3,169.

Cotton—No. 2: May 87.00-87.20 (87.65), July 87.65-88.00 (88.57), Oct. 85.70-85.71, Dec. 82.75, March 83.55-83.60, May 84.10-84.50, July 84.50-85.00. Sales: 6,500.

*Gold—March 531.0 (535.3), April 531.0-533.0 (536.5), May 538.0, June 543.0-545.5, Aug. 556.2, Oct. 567.0, Dec. 576.0-578.0, Feb. 593.0, April 606.0-608.3, June 617.6, Aug. 630.0, Oct. 642.4, Dec. 654.9. Sales: 50,000.

Orange Juice—May 139.70 (134.74), July 138.75 (133.75), Sept. 139.70, Nov. 139.80, Jan. 140.00, March 141.10, May 142.40, July 143.70. Sales: 2,500.

*Platinum — March 526.0 (524.9), April 526.0-526.5 (525.9), May nil, July 544.9-546.0, Oct. 567.0, Jan. 584.5, April 605.0. Sales: 2,689.

¶Silver—March 1285.0 (1316.0), April 1283.7 (1319.0), May 1295.0-1309.0, July 1325.0-1334.0, Sept. 1364.0, Dec. 1412.0, Jan. 1428.0, March 1460.0, May 1492.0, July 1524.0, Sept. 1556.0, Dec. 1604.0. Sales: 3,800. Handy and Harman bullion spot 1284.00 (1325.00).

Sugar—No. 11: May 22.50-22.55 (22.15), July 22.50-22.60 (22.35), Sept. 22.15, Oct. 21.90-21.91, Jan. 20.50-20.65, March 20.45-20.55, May 20.50-20.65, July 20.50-20.75. Sales: 10,627.

CHICAGO, March 25.

Chicago Imm Gold—April 539.7 (539.7), June 544.8-544.0 (548.7), July 554.7, Sept. 562.5, Oct. 573.0, Dec. 580.0, Jan. 586.8, March 596.0, April 609.8.

WINNIPEG, March 25.

§Barley—March 146.10 (147.30), May 148.60 (149.30), July 148.60, Oct. 148.00, Dec. 148.00.

§Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 255.10 (256.25).

EUROPEAN MARKETS

ROTTERDAM, March 26.

Wheat—U.S. Two Dark Hard Winter 13.5 per cent. April/May $211, June/July $210. U.S. No. Two Red Winter April/May $204, 10 June/10 July $192. U.S. No. Two Northern Spring 14 per cent. April/May $208, May $207.25, June $208.25, July $209.25, Aug. $210.25, Sept. $212.25, Oct. $217.25, Nov. $219.25.

Maize—U.S. No. Three Corn Yellow afloat $169, March $168, April $164.75, May $167.75, June $170.75, July/Sept. $174.25, Oct./Dec. $174.50, Jan./March $186.

Soyabeans—U.S. Two Yellow Gulfports March $315, April $312.50, May $315.50, June $318.50, July $321, Aug. $323.50, Sept. $327.50, Oct. $331, Nov. $331.50, Dec. $337.50, Jan. $343, Feb. $349, March $351.50 sellers. Argentine June/July $313.50 sellers tradeless.

Soyameal—44 per cent protein U.S. afloat $277, March $269, April $268, May $268.50, June $273, April/Sept. $276, Nov./March $296. Brazil Pellets afloat $286, April/May $280, April/June $284, April/Sept. $288.

SUGAR—(FFr per tonne): May 3012-3020, July 2960-2990, Aug. 2863-2884, Oct. 2672/2680, Nov. 2650-2690, Dec. 2576-2600, March 2510-2524, May 2510-2535. Sales: at call: 6.

PARIS, March 26.

Cocoa—(FFr per 100 kg): March unquoted, May 1015-1023, July 1036, Sept. 1092-1095, Dec. 1106-1115, March 1136-1144, May 1156-1164. Sales at call: one.

INDICES

FINANCIAL TIMES

Mar. 25	Mar. 24	Month ago	Year ago
259.93	260.21	261.53	292.86

(Base: July 1, 1952=100).

MOODY'S

Mar. 25	Mar. 24	Month ago	Year ago
1149.4	1155.1	1160.9	1164.9

(December 31, 1931=100)

DOW JONES

Dow Jones	Mar. 25	Mar. 24	Month ago	Year ago
Spot	424.53	426.24	419.50	426.46
Fut'rs	433.00	434.88	454.49	436.90

(Average 1924-25-26=100).

REUTERS

Mar. 26	Mar. 25	M'nth ago	Year ago
1701.0	1700.1	1737.4	1730.2

(Base: September 18, 1931=100).

LONDON STOCK EXCHANGE

Equities rebound sharply on economic recovery hopes
Share index at 22-month high—Gilts also revive

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
Mar. 16	Mar. 26	Mar. 27	Apr. 6
Mar. 30	Apr. 8	Apr. 9	Apr. 21
Apr. 10	Apr. 29	Apr. 30	May 11

* "New time" dealings may take place from 9 am two business days earlier.

The Chancellor's reiteration of the Government's cautiously optimistic view of the prospects for economic recovery together with Wall Street's overnight upsurge gave a strong boost to investment confidence on London stock markets yesterday. Leading industrials rebounded sharply from the previous day's slightly lower levels and many secondary stocks made useful improvements.

Selective institutional support left its mark on the equity leaders and final gains sometimes ranged to double figures. "New-time" buying for the Account starting next Monday also contributed to the advance, while an underlying shortage of stock accentuated many of the day's gains. Up 4.4 at the 10 am calculation, the FT 30-share index moved swiftly higher and touched its best of the day at 2 pm, showing a gain of 12 points, before easing slightly to close a net 11.5 higher at 518.9. This represented the highest closing level since May 23, 1979, the month the index attained its all-time peak of 558.6.

Of the index constituents, the maintained interim dividend payment from Lucas compensated for the unexpected mid-way loss and the shares traded briskly up to 188p before closing only a shade harder on balance at 175p.

Equity interest generally was enlivened by a revival of speculative demand and company trading announcements which combined to generate some major movements. Once again, Building shares stood out among the sectors following renewed investment support.

British Funds also enjoyed a revival after several days of subdued trading ahead of tenders for the £1bn issue of new index-linked stock, which must be lodged by 10 am this morning. The Chancellor's strong defence of the Government's monetary strategy was welcomed by potential investors and gave a distinct boost to sentiment. Having led the downturn, longer maturities responded sharply to close with rises ranging to ½. The shorts noticeably made limited improvements of ¼ only.

Further investment demand encouraged by yield attractions took **Zimbabwe Settlement Annuities** up 7 points more to £380, while **Southern Rhodesian** 2½ per cent 1965/70 non-assented added 2 points at £138.

Traded options attracted a total of 1,264 contracts, slightly below Wednesday's 1,632. **Grand Metropolitan** were again to the fore with 298 deals, while **Lonrho** recorded 119, most of which were struck in the May 110's.

Royal Bank Scot good

Royal Bank of Scotland rose 7 more to 147p, after 150p, on renewed speculative buying fuelled by suggestions of a counterbid from Hong Kong and Shanghai. Current bidders, **Standard Chartered**, closed 5 down at 658p. Elsewhere, **Kleinwort Benson** stood out with a rise of 12 to 284p in response to better-than-expected preliminary profits. Investment demand helped **Hambros** put on 7 to 730p, while **Manson Finance Trust** closed a few pence dearer at 93p. **FNFC** hardened a penny to 33p as bid hopes revived.

Hambro Life advanced 7 to 352p owing to a sudden demand ahead of the results, due next month. Elsewhere in Insurances, **Alexander Howden** improved 3 to 118p following satisfactory results. **Eagle Star**, however, gave up 3 more at 238p and **Prudential** a like amount at 238p, both on further consideration of their disappointing preliminary statements.

Breweries responded to strong early buying and closed with gains extending to 6. **Whitbread** rose that much to 155p, while **Bass** improved 5 to 215p and **Scottish and Newcastle** hardened 1½ to 65½p. Wines and Spirits also trended firmer. **Distillers** rose 6 to 192p, while further consideration of the interim results left **Arthur Bell** 2 dearer at 176p. **Macallan-Glenlivet** advanced 10 to 480p awaiting today's half-timer.

Building shares enjoyed another firm and active session with some gains accentuated by stock shortage. **Blue Circle** were notable for a rise of 14 to 420p, while **Tarmac**, 325p, and **Redland**, 184p, gained 4 apiece. Contractors had **Costain** 8 up at 228p and **Taylor Woodrow** another 9 higher at 561p. **London Brick** hardened 2 to 81p; the company has received the go-ahead for the £40m Ridgmont Works modernisation. Trading statements were responsible for several notable improvements in secondary issues. **Manders** put on 8 at 162p in response to the increased annual profits and dividend, while **Mixconcrete** rose 7 to 74p, the maintained dividend payment outweighing the lower profits. Other firm spots included **UBM**, 3 up at 70p, and **Bryant Holdings**, 5 to the good at 84p. In sharp contrast, **Brown and Jackson** were a nervous market and fell 12 to 70p.

ICI touched 240p before drifting back to close unchanged on balance at 236p. Elsewhere in Chemicals, **Coates Brothers** ordinary gained 5 and the "A" 8, to the common level of 51p following better-than-expected annual profits and the maintained dividend.

Wearwell wanted

Secondary issues again provided the focus of attention among Stores. **Wearwell** were in demand on talk of a broker's circular and closed 9 higher at 88p. Further consideration of the preliminary results lifted **Church** 12 more at 177p, and **Wilkinson Warburton** a penny to 76p, after 78p. **Currys** added 5 more to 356p, while **Courts "A."** at 80p, and **Harris Queensway**, at 200p, added 4 apiece. **Austin Reed** revived and the "A" firmed 5 at 93p; the annual results are expected next Thursday. **J. Hepworth** were also strong and rose to 122p, before settling for a net gain of 6 at 120p.

Leading Electricals were to the fore and gains ranged to 12. **Philips' Lamps** rose that much to 375p, while **Racal** advanced 10 to 375p. **Plessey** hardened a few pence to 313p, after 315p, and **Thorn EMI** added 2 at 334p. **GEC**, however, failed to hold an enhanced early level of 672p and finished a net penny off at 667p. Elsewhere, **Baker Electronics** revived with a rise of 9 to 42p, while similar gains were seen in **Eurotherm**, 318p, and **Lec Refrigeration**, 116p. **Farnell** put on 7 to 397p and **Pifco** 4 to 156p; the latter's interim results are due today.

The Chancellor's forecast that the recession is expected to reach bottom in the first half of this year served as a much-needed fillip to the Engineering sector. **John Brown** were outstanding among the leaders, closing 7 to the good at 85½p, while **Tubes** finished 8 better at 208p, after 210p, and **Hawker** 6 dearer at 304p. Elsewhere, **Fife Forge** jumped 14 to 55p in belated response to the better-than-expected results and **Percy Lane** gained 5 more for a two-day advance of 14 at 43p on further consideration of the excellent preliminary figures and proposed 20 per cent scrip issue. Reflecting the return to profitability, **Abwood Machine** rallied 1½ to 6½p, while **Greens Economiser** firmed 6 to 124p on demand ahead of forthcoming results. **A. Cohen** put on 10 to 240p and **Davies and Metcalfe "A"** improved 3 to 22p. Against the trend, **W. E. Norton** came on offer at 4p, down 2.

Bowater below best

British Sugar, which jumped 26 on Wednesday following the Monopolies Commission's conditional go-ahead for S. and W. Berisford to renew its offer for the company, touched 300p in active trading before reacting to close only 2 dearer on balance at 290p. Elsewhere in Foods, **J. Sainsbury** moved up 5 to 400p, **Associated Dairies** rose 8 to 204p and **Rowntree Mackintosh** gained a like amount to 174p.

Leading Hotels and Caterers attracted renewed investment support, **Ladbroke** rising 7 to 298p and **Trusthouse Forte** 3 to 216p. **Grand Metropolitan** gained 8 to 191p, while **Warner Holidays "A,"** in receipt of an agreed bid from the former, traded briskly to close 3 dearer at 109p, after 111p.

Although closing a few pence below the best in places, the miscellaneous industrials leaders still recorded gains ranging to 13. **Bowater** were that much better at 238p, after 242p, on renewed support ahead of the preliminary results on April 9 and further consideration of the successful sale of its loss-making Ralli Group subsidiary to Cargill of the U.S. **Unilever** finished 10 higher at 505p, while rises of around 6 were seen in **Boots**, 244p, **BOC International**, 126p, **Glaxo**, 300p, and **Metal Box**, 186p. Additionally helped by Wall Street influences, **Rank Organisation** also rose 6 at 186p, while **Turner and Newall**, to the accompaniment of revived take-over speculation, added a like amount to 83p. Elsewhere, **Bestobell** jumped 24 to 398p following comment on the results and, on a revival of bid speculation. Still reflecting Concourt's acquisition of a 20 per cent stake in the group, **Wolverhampton Steam Laundry** added 4 more to 42p. Investment buying lifted **Sothebys** 20 to 505p and **De La Rue** a similar amount to 675p, while **Siebe Gorman** added 9 at 176p and **Foseco Minsep** rose 9 to 196p. **Cope Allmann International** improved 3 to 47p awaiting today's interim results but **Ricardo** shed 20 more to 478p, after 470p, sentiment still being soured by the disappointing interim results.

wU 8848

Lucas encountered strong support immediately following the interim results. The maintained dividend payment appeared to outweigh news of the big loss and the shares spurted to 188p before closing a net 2 better at 175p. Elsewhere in Components, **Dowty** met with fresh support and rose 9 to 284p, while **Flight Refuelling** added 7 more at 333p. Distributors were featured by **Lex Service**, 6 dearer at 107p.

Investment support was again forthcoming for **Associated Newspapers**, 10 better at 283p. **Daily Mail A** added a similar amount to 500p. **Bunzl Pulp** attracted speculative demand and closed 14 higher at 141p; the annual results are expected next month. **Jefferson Smurfit** closed 6 better at 156p, but profit-taking clipped 2 more from **Watmoughs**, at 193p. **Bemrose** jumped 5 to 39, the confident statement on the outlook outweighing the sharply reduced full-year profits and dividend.

Properties featured **Berkeley Hambro** which gained 15 to 265p, after 267p, in response to the increased net asset value of 354p per share. **Land Securities** firmed 5 to 422p and **MEPC** improved a couple of pence to 243p. **Stock Conversion** came to life in the late trading and closed 11 up at 358p. **Great Portland Estates**, 256p, and **Haslemere Estates**, 416p, firmed 4 apiece, while **British Land** rose 3 to 105p. Elsewhere, **Sheraton Securities** gained 1¼ to 21½ helped by call option business.

Oils better

Recently dull Oils regained a certain amount of composure on Wall Street trends, **British Petroleum** rallying 4 to 380p and **Shell** 8 to 394p. **Tricentrol** picked up 4 at 294p, while **Ultramar** improved 5 to 490p. Demand ahead of the preliminary results, due April 10, lifted **KCA International** 11 to 199p, while associate **Berkeley Exploration** gained 17 to 307p. **Cluff** improved 15 to 370p on an encouraging South American drilling report, but **Silkolene Lubricants** dropped to 247p before closing 23 down at 255p following poor annual profits. Among Overseas issues, **Global Natural Resources** advanced 50 to 615p following Press comment.

Lonrho rose 4 to 97p following the AGM. Elsewhere in Overseas Traders, **Boustead** attracted increased speculative interest and closed 8 to the good at 178p.

Textiles were quietly mixed. A more detailed appraisal of the annual figures lifted **British Mohair Spinners** 2½ more to 41½p, but **Sanderson Murray and Elder** were marked down 3 to 24p after the first-half loss.

Rothmans remained in demand and gained the turn to 55p, after 56p. **Imperial** put on 2 at 70p following the chairman's remarks at the annual meeting.

Golds dip and rally

After opening lower in the wake of overnight American selling, South African Golds rallied throughout the day to close showing minor changes either way. The bullion price rose $11 to $539.50 an ounce, but the Gold Mines index recorded a fall of 3.6 at 361.1.

Financials provided features in Tanks and **Minorco**. The latter surged 60 to 695p, after a 1981 high of 710p, following the latest developments regarding Engelhard, in which Minorco has a 27.4 per cent interest. **Tanks** continued to reflect bid speculation and advanced 13 to 338p, after a 1981 peak of 342p.

Other London Financials were well supported with gains of 6 common to **Charter**, 243p, **Gold Fields**, 463p and **Rio Tinto-Zinc**, 473p.

Platinums were generally easier with **Impala** 10 cheaper at 400p and **Rustenburg** 5 off at 237p. In Diamonds, **De Beers** continued to gain ground and closed a further 7 higher at 392p.

Americans showed **AMAX** £2 up at £27¼ on hopes of an increased bid from Standard Oil of California.

FINANCIAL TIMES STOCK INDICES

	Mar. 26	Mar. 25	Mar. 24	Mar. 23	Mar. 20	Mar. 19	A year ago
Government Secs.	70.18	69.81	70.08	70.19	70.51	70.38	64.30
Fixed Interest	72.00	71.88	71.94	72.00	72.01	72.00	64.97
Industrial Ord.	518.9	507.4	511.7	501.2	500.9	496.7	423.1
Gold Mines	361.1	364.7	366.2	363.4	345.1	346.5	287.7
Ord. Div. Yield	6.51	6.43	6.38	6.51	6.50	6.55	8.16
Earnings, Yld.% (full)	13.35	13.61	13.49	13.76	13.75	13.80	20.31
P/E Ratio (net) (*)	9.27	9.10	9.17	8.99	9.00	8.97	6.00
Total Bargains	29,260	28,884	28,324	24,268	25,287	25,447	19,625
Equity turnover £m.	—	166.24	167.85	137.55	168.32	181.86	142.32
Equity bargains total	—	25,533	27,802	22,095	21,054	21,977	17,372

10 am 511.8. 11 am 514.1. Noon 517.2. 1 pm 518.6.
2 pm 519.4. 3 pm 519.0.
Latest Index 01-246 8026.
*Nil=8.84.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (28/2)	68.05 (16/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (20/3)	69.96 (16/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	518.9 (26/3)	446.0 (14/1)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	421.1 (16/1)	281.4 (2/1)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Mar. 25	Mar. 24
Daily Gilt Edged Bargains	166.5	195.0
Equities Bargains	156.0	180.8
Value	336.0	339.5
5-day Avrge. Gilt Edged Bargains	192.1	190.9
Equities Bargains	155.6	147.6
Value	332.2	327.9

NEW HIGHS AND LOWS FOR 1980/81

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1981

NEW HIGHS (323)

BRITISH FUNDS (2)
CORPORATION LOANS (1)
COM'WEALTH & AFRICAN LOANS (1)
AMERICANS (14)
CANADIANS (4)
BANKS (5)
BEERS (4)
BUILDINGS (20)
CHEMICALS (5)
DRAPERY & STORES (22)
ELECTRICALS (12)
ENGINEERING (22)
FOODS (8)
HOTELS (3)
INDUSTRIALS (51)
INSURANCE (6)
LEISURE (4)
MOTORS (5)
NEWSPAPERS (4)
PAPER (5)
PROPERTY (32)
SHIPPING (3)
SOUTH AFRICANS (1)
TEXTILES (10)
TOBACCOS (1)
TRUSTS (51)
OIL & GAS (6)
OVERSEAS TRADERS (2)
TEAS (1)
MINES (5)

NEW LOWS (20)

AMERICANS (1)
Barnes
CANADIANS (1)
Trans Canada Pipe

BUILDINGS (1)
Brown & Jackson
ELECTRICALS (1)
Scholes (G. H.)
ENGINEERING (3)
Mangan. Bronze
Norton (W. E.)
Williams & James
INDUSTRIALS (5)
Arenson (A.)
Elliott Peterboro'
Restmor
Ricardo
Scotcros
MOTORS (1)
Crown Bros.
TEXTILES (2)
Blackwood Morton
Montfort
TRUSTS (1)
Keep Invs.
OILS (2)
Charterhall
Hanes Pet.
Moonie Oil
MINES (1)
Haoma Gold

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	85	2	8
Corpns., Dom. and Foreign Bonds	10	—	55
Industrials	428	127	816
Financial & Props.	233	32	229
Oils	36	15	23
Plantations	2	2	19
Mines	37	62	76
Others	73	12	41
Totals	904	252	1,267

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thur., March 26, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Wed. March 25 Index No.	Tues. March 24 Index No.	Mon. March 23 Index No.	Fri. March 20 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (212)	333.52	+1.1	11.79	4.80	10.42	329.93	330.43	327.07	326.28	228.96
2	Building Materials (26)	303.36	+1.4	14.83	5.71	8.09	299.30	297.21	294.01	292.61	222.69
3	Contracting, Construction (26)	559.34	+1.2	16.53	4.57	7.22	552.61	552.79	546.00	541.16	348.34
4	Electricals (27)	1056.47	+0.5	8.30	2.55	14.93	1051.32	1057.39	1046.21	1048.16	591.99
5	Engineering Contractors (11)	428.47	+0.8	13.26	6.04	9.52	425.06	426.76	427.29	426.35	274.25
6	Mechanical Engineering (72)	201.48	+1.8	13.68	6.23	9.25	197.89	198.22	196.42	195.77	155.73
8	Metals and Metal Forming (13)	155.79	+0.9	10.90	8.51	12.11	154.44	154.87	152.92	151.14	157.72
9	Motors (21)	93.58	+1.1	17.37	8.81	6.76	92.59	91.87	90.31	88.88	101.87
10	Other Industrial Materials (16)	350.43	+1.7	11.98	5.86	9.97	344.56	344.45	341.78	341.66	0.00
21	CONSUMER GROUP (197)	262.96	+1.5	14.22	5.98	8.54	259.00	259.83	254.73	254.53	205.67
22	Brewers and Distillers (20)	286.96	+3.0	16.14	6.38	7.35	278.48	281.39	276.48	278.09	257.75
25	Food Manufacturing (22)	245.50	+0.8	16.30	6.46	7.28	243.58	242.57	239.39	238.73	185.55
26	Food Retailing (14)	513.68	+1.6	8.79	3.14	13.44	505.68	503.86	498.23	483.66	291.70
27	Health and Household Products (7)	277.07	+1.5	9.68	5.17	12.28	272.96	278.47	270.48	270.38	195.57
29	Leisure (22)	397.20	+0.4	13.25	5.62	9.40	395.73	396.16	390.94	390.34	283.43
32	Newspapers, Publishing (12)	482.95	+1.2	17.83	6.64	7.31	477.15	475.18	463.51	463.21	400.14
33	Packaging and Paper (15)	138.06	+3.5	22.08	8.37	5.27	133.44	134.32	130.15	128.21	124.69
34	Stores (44)	265.91	+1.3	11.13	4.76	11.78	262.39	261.89	255.77	256.08	211.86
35	Textiles (21)	146.41	+1.6	15.01	9.12	9.00	144.04	144.90	144.46	143.71	122.63
36	Tobaccos (3)	212.56	+0.5	26.74	10.95	4.26	211.41	213.54	210.58	211.58	194.18
39	Other Consumer (17)	269.03	+1.8	9.59	7.14	13.15	264.33	263.93	262.06	262.45	0.00
41	OTHER GROUPS (79)	216.96	+1.2	14.16	6.99	8.73	214.43	214.66	212.52	212.83	194.07
42	Chemicals (15)	251.61	+1.0	12.87	8.30	9.86	249.01	250.47	247.85	248.58	289.47
44	Office Equipment (6)	112.89	+2.2	16.49	7.36	7.19	110.50	109.97	108.48	108.69	107.96
45	Shipping and Transport (13)	605.60	+0.8	12.54	6.11	9.76	600.50	599.40	595.87	601.81	444.55
46	Miscellaneous (45)	286.14	+1.2	15.55	5.90	7.90	282.75	282.42	279.55	278.53	228.05
49	INDUSTRIAL GROUP (488)	280.60	+1.3	13.29	5.66	9.20	276.96	277.59	273.48	273.16	217.39
51	Oils (12)	816.79	+1.4	22.69	6.91	5.07	805.18	822.71	814.67	826.15	694.63
59	500 SHARE INDEX	323.30	+1.3	15.13	5.90	7.94	319.02	320.96	316.53	317.13	255.24
61	FINANCIAL GROUP (118)	253.45	+0.7	—	5.50	—	251.71	252.60	251.11	253.32	186.32
62	Banks (6)	236.02	+0.9	39.65	7.64	3.01	233.82	230.66	229.35	235.10	203.86
63	Discount Houses (10)	307.24	−0.1	—	6.03	—	307.62	310.26	310.55	314.03	212.38
64	Hire Purchase (4)	272.26	−0.8	8.26	4.56	16.73	274.53	273.84	274.25	273.63	186.57
65	Insurance (Life) (10)	266.27	+0.1	—	5.26	—	265.91	274.52	272.82	272.53	161.68
66	Insurance (Composite) (9)	165.15	+0.7	—	7.28	—	164.08	165.53	165.48	167.43	120.18
67	Insurance Brokers (9)	345.66	+0.9	12.99	6.76	10.51	342.74	346.14	345.71	347.90	288.42
68	Merchant Banks (13)	156.97	+1.3	—	4.99	—	155.02	154.30	153.17	152.34	99.44
69	Property (46)	501.16	+1.0	3.00	2.51	46.33	496.00	497.32	491.76	493.61	354.69
70	Miscellaneous (11)	172.60	−0.5	18.28	6.02	6.72	173.46	172.16	170.99	171.70	127.44
71	Investment Trusts (109)	296.78	+0.8	—	5.18	—	294.29	294.61	293.60	294.01	206.18
81	Mining Finance (3)	237.46	+1.4	14.25	5.65	8.33	234.18	236.07	233.14	233.75	181.50
91	Overseas Traders (20)	450.37	+0.8	11.81	6.56	10.42	446.98	453.07	451.61	449.10	392.61
99	ALL-SHARE INDEX (750)	308.93	+1.2	—	5.79	—	305.33	307.02	303.51	304.42	239.18

FIXED INTEREST PRICE INDICES

	British Government	Thur. March 26	Day's change %	Wed. March 25	xd adj. today	xd adj. 1981 to date
1	5 years	109.01	+0.09	108.91	—	2.48
2	5-15 years	112.65	+0.55	112.03	—	2.68
3	Over 15 years	117.85	+0.76	116.96	—	2.31
4	Irredeemables	130.16	+0.77	129.17	—	1.78
5	All stocks	112.94	+0.49	112.39	—	2.44
6	Debentures & Loans	88.38	+0.08	88.31	—	2.87
7	Preference	68.48	−0.05	68.52	—	2.49

FIXED INTEREST YIELDS

	British Govt. Av. Gross Red.		Thur. March 26	Wed. March 25	Year ago (approx.)
1	Low Coupons	5 years	11.38	11.41	13.16
2		15 years	11.97	12.04	12.96
3		25 years	12.05	12.13	12.96
4	Medium Coupons	5 years	13.04	13.09	15.10
5		15 years	13.44	13.56	14.58
6		25 years	13.14	13.26	14.37
7	High Coupons	5 years	13.03	13.08	15.15
8		15 years	13.65	13.76	14.89
9		25 years	13.26	13.37	14.77
10	Irredeemables †		11.39	11.47	12.43
11	Debs & Loans	5 years	14.01	14.02	15.71
12		15 years	14.26	14.27	15.36
13		25 years	14.27	14.28	15.02
14	Preference †		14.29	14.28	15.81

† Flat yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Bestobell	398	+24	Hepworth (J.)	120	+ 6
Bowater	238	+13	KCA	199	+11
Brit. Sugar	290	+ 2	Lucas	175	+ 2
Bunzl Pulp	141	+14	Royal Bk. of Scot.	147	+ 7
Comm. Union	189	+ 4	Shell	394	+ 8
Dowty	284	+ 9	Warner Hols.	109	+ 3
Grand Met.	191	+ 8	Wearwell	88	+ 9

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of price changes	Wed.'s closing price pence	Day's change	Stock	No. of price changes	Wed.'s closing price pence	Day's change
LASMO	24	595	−25	Plessey	18	310	− 7
Premier Cons.	22	100	− 6	Beecham	16	172	− 4
Shell Transport	22	386	− 8	Boots	16	238	—
Imp. Cont. Gas	20	215	−13	Imps	16	68	− 1½
BP	19	376	− 8	Sainsbury	16	395	+ 9
GEC	18	668	− 2	Eagle Star	15	241	−15
ICI	18	236	− 2	Unilever	15	495	− 7

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Mar. 23	Apr. 3	June 25	July 6
Apr. 6	Apr. 17	July 9	July 20
Apr. 21	May 1	July 23	Aug. 3

For rate indications see end of Share Information Service

Stocks favoured for the call included ICL, BSR, British Aerospace, William Press, Keith Collins Petroleum, Sheraton Securities, Dunlop, Premier Oil, Norfolk Capital, Tozer Kemsley, BSG, Berkeley Exploration, British Land, FNFC, Conex, Rothmans and Charterhall. No puts were reported, but doubles were taken out in ICL and Cons. Gold Fields.

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

[illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Craigmount Fixed Int. Mngrs. (Jersey)
P.O. Box 195, St. Helier, Jersey. 0534 27561
Gilt Fund (Jsy.) 96.8 96.9 ... 13.93
Valued weekly Wednesday.

DWS Deutsche Ges. F. Wertpapiersp
Grueneburgweg 113, 6000 Frankfurt
Investa DM30.40 32.50 +0.10 —

Delta Group
P.O. Box 3012, Nassau, Bahamas
Delt. Inv. March 17 $4.31 4.53 ... —

Deutscher Investment-Trust
Postfach 2685 Biebergasse 6-10 6000 Frankfurt
Concentra DM16.20 17.20 ... —
Int. Rentenfonds DM59.60 61.50 ... —

Dreyfus Intercontinental Inv. Fd.

Hill Samuel Invest. Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 27381
HS Channel Is. Fd. 145.7 155.4 ... 3.25
H.S. Fixed Int. Fd. 94.0 99.0 ... 12.50
Box 2622, Berne, Switzerland. Telex 33425.
H.S. Overseas Fd. US$25.79 26.82 +0.47 —
CSF Fd. (Acc.) SF18.56 18.95 +0.07 —
Crossbow Fd. SF6.87 6.99 +0.02 —
ITF Fd. (Acc.) US$14.12 14.38 +0.14 —

N.V. Interbeheer
P.O. Box 526, Delft, Holland
Esmeralda (Iss. Price) DFL66.98 +0.40 2.69

International Pacific Inv. Mgmt. Ltd.
P.O. Box R237, 56, Pitt St., Sydney, Aust.
Javelin Equity Tst. A$3.88 3.99 ... 5.80

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong
Jardine J'pn. Fd. Y2,150 ... 0.7
Do. (Accum.) Y2156 ... —
J.F. Japan Small Co. Y12608 ... —
Jardine Estn. Tst. HK$97.88 ... 1.30
Intl. Pac. Secs. (Inc.) HK$27.83 ... 0.70
Do. (Accum.) HK$28.95

Rothschild Asset Management (C.I.)
P.O. Box 58, St. Julians Ct., Guernsey. 0481 26331
O.C. America Fd.† US$2.71 2.88 ... 0.59
O.C. Smr. Co.*** 111.2 118.2 ... 2.74
O.C. Commodity* 90.3 96.0 ... 7.50
O.C. Dir. Comdty.† US$45.72 48.63 ... 1.52
O.C. Hong Kg. Fd.† HK$37.77 40.18 ... —
O.C. Sterling Fd.** £13.402 +0.004 —

**O.C. International Reserves Limited

Bel. Francs (Fln.)	644.40	Italian Lira	22,631
Canadian $	26.925	Singapore $	53.425
D-Mark	42.135	£ Sterling	10.967
Dutch Guilder	42.185	Swiss Francs	41.060
French Francs	106.085	U.S.$	21.860

*Prices on Mar. 13. Next dealing Mar. 31.
†Prices on Mar. 23. Next dealing April 7.
**Daily dealings. ***Mar. 31.

Rothschild Asset Mgt. (Bermuda)
P.O. Box 664, Bk. of Bermuda Bld., Bermuda
Reserve Assets Fd. US$8.99 9.20 ... —
Prices on Mar. 16. Next dealing Mar. 24.

Save & Prosper International
Dealing to:
P.O. Box 73, St. Helier, Jersey 0534 73933

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FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Anthony Wieler Unit Tst. Mgmt. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd.

Barclays Unicorn Ltd. (a)(c)(g)

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia Gp. of Unit Trusts Ltd.(a)(c)(g)

The British Life Office Ltd.

Brown Shipley & Co. Ltd.

Canlife Unit Tst. Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Cariol Unit Fd. Mgrs. Ltd.

Charities Official Invest. Fund

Chieftain Trust Managers Ltd.

Confederation Funds Mgt. Ltd. (a)

Crescent Unit Tst. Mgrs. Ltd. (a)(g)

Dartington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Equity & Law Un. Tr. M.

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Robert Fraser Trust Mgt. Ltd.

Friends' Provdt. Trust Mgrs. (a) (b) (c)

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs.

Investment Intelligence Ltd.

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

"Local Authorities" Mutual Invest. Tst.

M & G Group (y)(c)(z)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt.

Mutual Unit Trust Managers (a)(g)

National Provident Inv. Mngrs. Ltd.

National Westminster (a)

NEL Trust Managers Ltd. (a)(g)

Northgate Unit Trust Managers Ltd.

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt. (a)

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

For Sabre Fund Mngt. see SIMCO

Save & Prosper Group

Schroder Unit Trust Managers Ltd.

Scottish Amicable Inv. Mngrs. Ltd.

Scottish Equitable Fnd. Mgrs. Ltd.

Security Selection Ltd.

SIMCO Money Funds

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Insurance Group

Target Tst. Mngrs. Ltd. (a)(g)

Tower Unit Trust Mgmt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. Co. (y)

Tyndall Managers Ltd. (a)(b)(c)

TSB Unit Trusts (y)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Phoenix Assurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capital Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

Solar Life Assurance Limited

Standard Life Assurance Company

Sun Alliance House

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

B.I.A. Bond Investments AG

Bank of America International S.A.

Banque Bruxelles Lambert

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Intl. Investment Mngt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

CAL Investments (IoM) Ltd.

Capital International S.A.

Charterhouse Japhet

Chawton Commodities (Isle of Man) Ltd.

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Cortexa International

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
99¼	97⅝	Exch. 8¼pc 1981	99¼	+1/32	8.31	11.70
99⅛	97¾	Exch. 9¾pc 1981	99⅛	.....	9.58	12.02
96⅝	93¾	Exch. 3pc 1981	96⅝	.....	3.11	11.77
99⅞	99⅛	Treas. Variable '81‡‡	99⅞	−1/16	12.17	13.23
100⅛	99¾	Exch. 12¾pc 1981‡‡	100 1/16	.....	12.71	12.12
97 7/16	95	Treas. 8½pc '80-82‡‡	97⅜	+⅛	8.73	11.93
95	91⅞	Treasury 3pc '82‡‡	94½	.....	3.18	9.56
102	100	Treasury 14pc '82‡‡	102	.....	13.73	11.73
98⅝	98	Treas. Variable '82‡‡	98	−1/16	12.26	13.30
95¾	93	Treasury 8¼pc '82	95½	+1/16	8.64	12.14
96	93	Exch. 9¼pc 1982	95	+⅛	9.68	12.58
94¼	92⅝	Exch. 8¾pc 1983	94½	+1/16	9.26	12.24
89¼	84⅞	Exch. 3pc 1983	88¾	.....	3.38	9.58
188	97⅜	Treasury 12pc 1983‡‡	99	+⅛	12.12	12.58
97⅛	96¼	Treas. Variable '83‡‡	97⅛	+⅛	12.44	13.60
94⅛	92¼	Treasury 9½pc '83	93⅞	+⅛	9.85	12.36
101	100¼	Exch. 13½pc '83	101	+⅛	13.28	12.69
94⅛	92¼	Exch. 10pc 1983	93⅞	+⅛	10.65	12.70
87¼	84½	Funding 5½pc '82-84‡‡	86⅞	.....	6.33	11.05
96¾	94	Exch. 11¼pc 1984	96	+1/16	11.67	12.74
103	101	Exchequer 14pc 1984	103	+1/16	13.58	12.78
80⅝	78½	Exch. 3pc 1984	80¼	.....	3.74	10.34
98⅝	96⅜	Treasury 12pc 1984	98¼xd	+1/16	12.23	12.66
107¼	104⅞	Treasury 15pc 1985	107½	+⅛	13.95	12.50
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INTERNATIONAL BANK

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

1981 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		Public Board and Ind.				
64	61¼	Agric. Mt. 5pc '59-89	64	.....	7.95	12.26
80½	76½	Alcan 10½pc '89-94	80½	.....	15.06	16.20
29½	28¾	Met. Wtr. 3pc 'B'	29½	.....	10.24	12.37
106	98½	U.S.M.C. 9pc 1982	106	.....	8.73	—
96½	92½	Do. without Warrts.	96½	.....	9.60	14.00
		Financial				
101½	99¾	FFI 14pc '83	100⅞	.....	13.89	13.58
91½	88½	FFI(UK Fe)5½pcDb. '80-2	90xd	.....	6.10	12.84
82½	80	Do. 6¼pcDb. '81-84	82½	.....	7.77	13.20
93	86½	Do. 10½pc Uns.Ln. '86	92½	.....	11.62	13.38
91½	79¾	Do. 11pc Uns.Ln. '88	91½	.....	12.30	13.05
91	86½	Do. 11¾pc Uns.Ln. '90	91	.....	13.24	14.00
94½	88½	Do. 12½pc Un. Ln. 1992	90½xd	.....	13.81	14.20
64½	60	Do. 7¼pcADeb. '89-92	64½	.....	11.72	13.98
62	59	Do. 7¼pcADeb. '91-94	60xd	.....	12.08	13.90
72½	68	Do. 9pc 'A' '91-94	70½xd	.....	12.76	13.90
70	65	Do. 8¾pcLn. '92-97	66	.....	13.72	14.50

FOREIGN BONDS & RAILS

1981 High	Low	Stock	Price £	+ or −	Div. % Gross	Red. Yield
62½	58	Antofagasta Rly.	58	.....	—	—
55	55	Do. 5pc Pref.	55	.....	—	—
98	98	Chilean Mixed	98	.....	3	£3.10
28	20	Chinese 4½pc 1898	23	.....	—	—
22	17	Do. 5pc 1912	18	.....	—	—
18	12	Do. 5pc 1913	13	.....	—	—
16	11	Do. 5pc '25 Boxer	12	.....	—	—
94	88¼	Denmark 13pc 2005	93¾	+¼	13	14.37
36	36	Greek 7pc Ass.	36	.....	3½	19.98
34	33	Do. 6pc 28 Stb. Ass.	34	.....	3	18.85
32	30	Do 4pc Mixed Ass.	32	.....	2	16.30
52	50	Hung. '24 Ass.	50	.....	2¼	5.77
64	62	Iceland 6½pc '83-88	64	.....	6½	14.70
90	85¼	Ireland 7½pc '81-83	89¾	.....	7½	13.61
79¾	73	Do. 9¾pc '91-96	74½xd	.....	9¾	13.89
190	185	Japan 4pc '10 Ass	190	.....	—	—
79	68	Do. 6pc '83-88	68	.....	6	13.00
165	155	Peru Ass. 2007	165	.....	5.22	13.20
79	77	Turin 9pc 1991	$77½	.....	—	f11.61
		Turin 6½pc 1984	DM98	.....	—	9.45
96p	96p	Uruguay 3½pc	96	.....	3½	3.90

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INSURANCE

[illegible]

هكذا من الأصل

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

FINANCE, LAND—Continued

OIL AND GAS

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

295	165	Messina R0.50	295	......	Q45c	4.7	10.1

Miscellaneous

160	142	Anglo-Dominion	155	......	—	—	—
55	40	Barymin	40	−2	—	—	—
15½	14	Burma Mines 10p	14½	......	0.75	ϕ	7.7
315	180	Colby Res. Corp.	210	−5	—	—	—
255	200	Cons. Murch. 10c.	255	......	tQ30c	1.8	6.7
90	75	††Hemerdon 10c.	80	......	—	—	—
180	135	Highwood Res.	140	−5	—	—	—
400	300	Northgate C$1	360	−10	—	—	—
473	372	R.T.Z.	473	+6	t16.0	3.2	4.8
£111	£93½	Do. 9½% Cv. Bds. '95-2000	£111	+1	Q9½%	—	f9.0
143	127	††SPO Minerals 10p	138	−1	—	—	—
47	33	Sabina Inds. C$1	36	+3	—	—	—
38	28	††SWCM 10p	36	−1	—	—	—
550	465	Tara Expln. $1	465	......	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
- ‡‡ Dealt in under Rule 163(3).
- ϕ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ●● Regional price.
- ‖ No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	41	......
Bertam	13	......
Bdg'wtr. Est. 50p	550	+5
Craig & Rose £1	£11¾	......
Fife Forge	55	+14
Finlay Pkg. 5p	20	......
Graig Ship. £1	£20	......
Higsons Brew	68	......
Holt (Jos) 25p	415	......
I.O.M. Stm. £1	160	......
Pearce (C. H.)	870	+20
Peel Hldgs.	88	......
Sheff. Refrsbmt	97	......
Sindall (Wm.)	135	......

IRISH

Conv. 9% '80/82	£94	......
Nat. 9¾% 84/89	£76¼	......
Fin. 13% 97/02	£88⅝	......
Alliance Gas	62	......
Arnott	235	......
Carroll (P.J.)	84	......
Concrete Prods.	98	−2
Heiton (Hldgs.)	30	+3
Ins. Corp.	395	......
Irish Ropes	50	......
Jacob	43	......
T.M.G.	23	......
Unidare	82	......

OPTIONS

3-month Call Rates

Industrials

A. Brew	7	I.C.I.	28	Utd. Drapery	6½
BOC Intl.	9	"Imps"	7	Vickers	14
B.S.R.	4½	I.C.L.	9	Woolworths	5
Babcock	11	Inveresk	5	**Property**	
Barclays Bank	40	Ladbroke	24	Brit. Land	8
Beecham	15	Legal & Gen.	20	Cap. Counties	11
Blue Circle	38	Lex Service	9	Land Secs.	35
Boots	20	Lloyds Bank	28	MEPC	20
Bowaters	20	"Lots"	4	Peachey	8
B.A.T.	25	London Brick	6	Samuel Props.	15
Brown (J.)	6½	Lucas Inds.	20	Town & City	2¼
Burton	10	"Mams"	20	**Oils**	
Cadburys	6	Mrks. & Spncr.	9	Brit. Petroleum	36
Courtaulds	6	Midland Bank	32	Burmah Oil	19
Debenhams	8	N.E.I.	7	Charterhall	11
Distillers	17	Nat. West. Bank	32	KCA	22
Dunlop	7½	P & O Dfd.	12	Premier	10
Eagle Star	22	Plessey	25	Shell	40
F.N.F.C.	3½	Racal Elect.	32	Tricentrol	34
Gen. Accident	38	R.H.M.	4	Ultramar	48
Gen. Electric	50	Rank Org.	16	**Mines**	
Glaxo	22	Reed Intnl.	18	Charter Cons.	20
Grand Met.	14	Sears	4½	Cons. Gold	45
G.U.S. 'A'	48	Tesco	9½	Lonrho	10
Guardian	32	Thorn	38	Rio T. Zinc	45
G.K.N.	16	Trust Houses	18		
Hawker Sidd.	20	Tube Invest.	18		
House of Fraser	15	Unilever	50		
		U.D.T.	4½		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 42

FINANCIAL TIMES
Friday March 27 1981

Polish four-hour strike today as talks go on

BY CHRISTOPHER BOBINSKI IN WARSAW

A FOUR-HOUR general strike in Poland, called by Solidarity, the independent union, will go ahead today. The Government and the union will meanwhile hold talks put off from yesterday.

The strike is in support of a demand that those who beat up, in Bydgoszcz, north-east of Warsaw, Mr. Jan Rulewski, a union leader, and two other activists last week be punished. Solidarity is also demanding that the authorities recognise private farmers' right to their own trade union, and an amnesty for all dissident activists since 1976.

Yesterday's scheduled talks were postponed because General Wojciech Jaruzelski, the Prime Minister, has refused to accept a report by the Justice Minister on the Bydgoszcz violence.

The original version of the report which was outlined to a parliamentary committee yesterday morning goes no further than to say that an investigation is in progress on who was responsible for the beating. The new version, which could be presented to Solidarity today in talks, may prove a little more satisfactory to the unions.

Unofficial contacts continued yesterday between the authorities and Solidarity.

A group of prominent intellectuals including Prof. Alexander Gieysztor, the head of the Polish Academy of Sciences, Mr. Krzysztos Penderecai, the composer and Mr. Andrzej Wajda, the film director, went to see Mr. Stanislaw Kania the Communist Party leader, to appeal for a compromise solution.

Cardinal Stefan Wyszynski, the Polish Primate, met the Prime Minister to appeal for peace.

Today's strike will provide an important test of Solidarity's strength and discipline. It will also be a strong argument in the hands of the moderates in the Communist Party leadership before Sunday's Central Committee meeting. If a moderate line is adopted at the meeting this could mean an indefinite general strike due to start on Tuesday, will be avoided.

Today's strike will be a severe test for up to a million Party members who also belong to the union. The Party leadership has told them not to strike, yet many Party organisations in large factories and at the universities will take part.

At Bydgoszcz the provincial council met and elected a new chairman—General Francis Kaminski, the deputy commander of the local army district.

Solidarity has been demanding the dismissal of the previous chairman whom they hold partly responsible for last week's incident.

Moscow may step up troops, Page 2

Rowland drops own bid for Observer

BY JOHN MOORE

MR. ROLAND "Tiny" Rowland, chief executive has dropped his plan to acquire a personal half share of The Observer, Britain's oldest Sunday newspaper. He will make his bid for the paper through Lonrho.

The decision means that the bid will now automatically be considered by the Monopolies *and Mergers Commission.*

If Mr. Rowland had pursued his deal, announced last Friday, it would have challenged the existing UK legislation on change of newspaper ownership.

Mr. Rowland's tactic was seen as a ploy in political circles to escape a reference of his proposed deal to the Monopolies Commission. Mr. Rowland claimed he was not a newspaper proprietor in his own right and therefore the deal did not need to be referred.

His change of plan, his fourth revision of his bid to acquire the Observer from Atlantic Richfield, the U.S. oil group which owns the paper, has come after discussions with Department of Trade officials who have studied the situation closely.

In so far as Mr. Rowland had apparently entered into a deal with Atlantic Richfield to acquire half the Observer, it has been argued that he was acting together with the oil group to secure control of the enterprise.

Therefore, Mr. Rowland became a newspaper proprietor under the terms of the Fair Trading Act, which states: "any two or more persons acting together to secure or exercise control of a body corporate or other association or to secure control of any enterprise or assets, shall be regarded as associated with one another."

● Richard Evans writes: Mr. *John Smith, shadow* Trade Secretary, yesterday welcomed the impending reference of the bid to the Monopolies Commission. He said it would have been intolerable for a third major newspaper to change hands without any inquiry.

He hoped the Commission and Mr. John Biffen, the Trade Secretary, would pay close regard to the recommendation of the Royal Commission on the Press that a merger should be allowed only if it was established that it would not operate against the public interest.

BL to build and market Peugeot car in Australia

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BL and Peugeot have signed a deal by which the UK group will assemble and market the Peugeot 505 car in Australia.

Until now the Peugeot 505 has been assembled by Renault, another French group. But yesterday in Canberra Renault *announced it was to shut its* Renault and Peugeot plant, which is claimed suffered losses of A$4m (about £2m) last year.

In contrast, BL Australia made a 1980 profit equivalent to £1.75m on a turnover of £100m.

Mr. Pratt Thompson, chairman of BL Australia, said last night: "This move is in line with BL's policy of broadening the base of its operations through collaboration.

"The Peugeot 505 is an additional model which does not compete with existing BL cars sold in Australia."

Leyland Australia's plant at Enfield, New South Wales, produced 10,000 vehicles from kits last year, including 1,100 Land-Rovers, 800 Range Rovers, 1,900 Minimokes (open-top versions of the Mini) and 1,750 trucks, mainly Terriers and Boxers.

It also marketed a further 2,400 built-up imports, including TR7 sports cars and Rover, *Jaguar and Daimler saloons,* through its 100-strong dealer network.

Leyland takes over production of the Peugeot 505 from the third quarter of this year.

Last year 1,576 Peugeot 505s were built at the Renault plant in Australia. The facility also assembled Renault 18s and Renault 20s.

About 240 people will lose their jobs because of the closure. M. Bernard Vernoux, the managing director, yesterday blamed the closure on "the Draconian regulations which require 80 per cent of local content for cars produced in Australia."

OPEC money flows to Comecon

BY PETER MONTAGNON, EUROMARKET CORRESPONDENT

MEMBERS of the Organisation of Petroleum Exporting Countries are channelling increasing amounts of their surplus cash to banks in Comecon countries, according to a report published by the Organisation for Economic Co-operation and Development.

This has drawn the Eastern European banks more directly into the process of recycling the OPEC balance of payments surplus as they have been reinvesting some of these deposits in Western financial markets.

The OECD gives no statistical evidence to back up this claim in the report which is published in its latest issue of Financial Market Trends, but it is under*stood that its economists* have uncovered evidence of such activity involving Libya and probably Algeria and Kuwait.

The amounts involved are thought to be still relatively small, ranging to some hundreds of millions rather than billions of dollars placed particularly with Soviet and East German banks.

International bankers say that a decision by these OPEC countries to divert some of their funds to Eastern Europe should be seen in the light of a continuing desire to broaden the range of investment possibilities for their surplus wealth.

The Iranian assets freeze caused some OPEC investors to doubt the security of funds *placed with U.S. banks, while* many Western banks last year also became full up with OPEC money and began to bid much less aggressively for deposits.

A further sign of the diversification process is shown by the growing willingness of banks in the Gulf to arrange medium term credits for such Eastern European countries as Hungary, East Germany and Romania.

Figures published by the Bank for International Settlements show that Comecon deposits with Western banks rose by $1.9bn (£839m) in the third quarter of last year after dropping $2.8bn in the preceding six months.

OECD sees upturn in borrowing, Page 31

Big demand for indexed gilts

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE UK's first indexed-linked gilt-edged stock is expected to be over-subscribed when the offer closes this morning, and a wide range of tender prices is likely.

The issue follows the over-subscription yesterday of the £50m City of Leeds 25-year stock and it comes as prices of gilts are rising. The City of Leeds stock, announced on Tuesday, was the first 25-year corporation issue since 1967 and the first new corporation issue since Cleveland raised £5m in March, 1979.

The £1bn 2 per cent indexed linked Treasury 1996 stock offers inflation proofing of both capital and interest, and is restricted to pension funds and similar schemes.

The announcement of the stock in the Budget has provoked considerable interest and debate within the City about the appropriate real (inflation adjusted) rate of return.

The stock is being auctioned so the real rate of return will be determined by the balance of bids. Given the novelty of the issue and the differences of view it is expected that funds will submit a range of bids to cover likely possibilities.

Most bids are expected to be between £100 and £115 per £100 of stock though only £35 has to be subscribed today. Gilt-edged analysts were last night guessing that the price at which the stock would be sold could be between £106 and £108 where the real return would be 1½ per cent a year, compared with 2 per cent at £100.

See Page 26

U.S. lifts Creusot-Loire steel ban

BY DAVID BUCHAN IN WASHINGTON

THE Reagan Administration has lifted a ban on steel imports from Creusot-Loire after certification from the French Govern*ment that steel produced by the* French engineering and steel company does not contain Cuban nickel.

The U.S. has had an embargo on imports of Cuban goods and materials since the mid-1960s.

The agreement to lift the ban was reached between U.S. and French officials last week and was published in this week's official Federal Register.

Creusot-Loire was exporting about $50m (£22m) worth a *year of steel to the U.S. up* to the time the ban was imposed in November by the Carter Administration.

The French company had earlier been taken to task by the U.S. Government for allegedly undermining U.S. industrial sanctions against the Soviet Union following the Russian invasion of Afghanistan.

The accusations stemmed from a successful bid by Creusot-Loire to build a large *steel plant in Russia. Armco* of the U.S. and Nippon Steel of Japan originally won the contract, but they pulled out following the Russion invasion of Afghanisant.

East-West trade has been a difficult issue between NATO allies since the Afghanistan invasion in December 1979.

EEC talks on steel state subsidies near deadlock

BY GILES MERRITT IN BRUSSELS

THE EUROPEAN Community's argument over "unfair" national subsidies to steelmakers — reckoned by the UK Government to be running at £1½bn yearly in the Ten—came close to deadlock in the EEC Council of Ministers here last night, and risks developing into a protracted impasse.

But in a move that could dispel *some of the* suspicion souring the talks, experts from member governments are to meet in Brussels today to try to analyse for the first time the scale and effect of the various aids being paid. The review follows an Anglo-German initiative last month.

The steel aids dispute stems chiefly from Italy's refusal to accept a code, backed by the UK, West Germany and France, for phasing out all state subsidies by mid-1983.

The European Commission has proposed a flexible formula for linking aids to restructuring, but the indications are that the compromise plan is still unacceptable to Italy. A similar council meeting devoted to steel on March 3 also failed to break-down the Italian resistance.

Italy's objections stem from fears that the proposed code for steel aids could jeopardise its £2.7bn financial restructuring plan for state-owned Finsider.

Weather

UK TODAY

Bright in the East, cloudy in the West, with rain spreading east.

London, E. Anglia, E. England, E. Scotland

Dry and bright, becoming cloudy with some rain. Max. 13C (54F).

Orkney and Shetland

Cloudy with showers. Max. 8C (46F).

Elsewhere

Cloudy, rain spreading from the west, clearing later. Max. 13C (55F).

Outlook: Unsettled.

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WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	14	57	Locarno	F	11	52
Algiers	F	24	75	London	S	14	57
Amsdm.	C	12	54	L. Ang.†	F	13	55
Athens	S	22	72	Luxmbg.	C	13	55
Barclna.	S	20	68	Luxor	F	22	72
Beirut	C	14	57	Madrid	F	17	63
Belfast	F	11	52	Majorca	F	24	75
Belgrd.	F	19	66	Malaga	F	23	77
Berlin	R	13	55	Malta	S	18	64
Biarritz	F	16	61	Mchstr.	S	10	50
Bmghm.	F	11	52	Mx. C.†	—	—	—
Blackp'l	S	9	48	Miami†	C	21	70
Bordx.	C	15	59	Milan	C	14	57
Boulgn.	F	9	48	Montrl.†	—	—	—
Bristol	S	11	52	Moscow	C	3	37
Brussels	S	15	59	Munich	R	12	54
Budpst.	F	21	70	Naples	S	16	61
Cardiff	S	10	50	Nwcstl.	F	9	48
Casbca.	F	19	66	N York†	S	3	37
Chicg.†	R	7	45	Nice	R	14	[illegible]
Cologne	F	14	57	Nicosia	T	17	[illegible]
Cpnhgn.	R	8	46	Oporto	F	13	55
Corfu	S	19	66	Oslo	R	1	34
Denver†	F	4	39	Paris	C	15	59
Dublin	F	11	52	Prague	R	16	61
Dbrvnk.	S	16	61	Rykjvk.	C	4	39
Ednbgh.	F	10	50	Rhodes	S	19	66
Faro	F	19	66	Rio Jo†	—	—	—
Florence	C	16	61	Rome	C	14	57
Frankf't	C	14	57	Salzb'rg	C	16	61
Funchal	F	20	68	S'cisco	R	9	48
Geneva	F	14	57	S'tiago†	—	—	—
Gibrltr.	S	21	70	Stckhm.	C	12	54
Gl'sg'w	S	9	48	Strsbg.	C	15	59
G'rnsey	S	11	52	Tangier	T	17	63
Helsinki	F	2	36	Tel Aviv	F	15	59
Innsbrk.	R	14	57	Tenerife	S	18	64
Invrnss.	C	9	48	T'r'nto†	F	−4	15
I.o.Man	S	9	48	Tunis	F	23	73
Istanbul	S	12	54	Valencia	F	25	77
Jersey	S	12	54	Vienna	C	17	63
L. Plms.	S	21	70	Warsaw	F	19	66
Lisbon	C	13	55	Zurich	C	11	52

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Continued from Page 1

Thatcher

They pointed out that the Prime Minister had made none of the customary references to a distinguished public career *which might normally be* expected in relation to so respected a civil servant.

Moreover, although Mrs. Thatcher said she would inform the Commons of the Security Commission's findings "in due course to the extent that it is consistent with national security to do so," several MPs indicated *they would press for a full* account.

Mrs. Thatcher stressed that investigations into the possibility of past penetration of the secret and security services, following the defections to the Soviet Union in 1951 of Guy Burgess and Donald Maclean, had been wide and thorough.

A media event to recall

Continued from Page 1

Rogerson, the City public relations firm which orchestrated the launch—"Just the logistics, of course," insisted one assigned the awesome task of ensuring that Mrs. Williams actually kept to her timetable.

The product, said another, was a "natural" and he would not want to change it—"For the moment," he added.

In among it all an artist stood painting at an easel. He had *been painting beeches in France,* he said, when he had heard of the launch on the BBC World Service. He decided he wanted to record this historic occasion —a description which would have gone down well with the organisers.

The actual questioning was an example of collective leadership in action. With the other MPs sitting below them, and with their appreciative relatives sitting at the back of the vast hall in a little self-contained fan-club, Mr. John Lyttle, the group's Press Officer, divided the questions among the four stars, like a quiz-master desperate not to show any favours at any cost.

Broadly speaking any question which had anything to do with policy, or was asked in a foreign accent, went to Mr. Roy Jenkins. He, to his colleagues' obvious relief, showed that he could still behave like a politician in spite of all his years in Brussels.

Dr. David Owen, whose job seemed to be to provide the four with a youthful hard edge, dealt with parliamentary matters like the relationship with the Liberals. So keen was he not to antagonise his new friend Mr. David Steel that he began sounding like a Liberal himself. *This was so when he explained* the importance the Social Democrats would attach to getting a commitment to proportional representation, if they found themselves holding the balance in a hung Parliament.

Mr. Bill Rodgers, his hair newly shorn, looked slightly detached from it all, staring out into the middle-distance as if dreaming about some as yet *untried form of organisation.*

As for Mrs. Williams, she was left to deal with that particularly sensitive subject of Socialism and to provide the new party with its conscience.

At 9.50 am the first split emerged. What was the party going to do about private education, asked one journalist with the air of somebody knowing he was on to a good thing. Mr. Jenkins fielded the question with all the skill of someone who has spent years trying to get the French and British to agree on farm prices.

Of course, he acknowledged, *there were differences of* emphasis. However, what mattered was the general approach. The Social Democrats, he insisted, were not going to suffer from "manifestoitis."

It was a dangerous word for someone with Mr. Jenkins' particular pronunciation problems to attempt but it went down well with the massed friends and relatives at the *back. They clapped warmly,* like an audience at a televised seaside show responding to a cue-card.

At 10 o'clock on the dot the Press conference finished. Mrs. Williams was escorted through a bunch of demonstrators — a small, homely group of women *looking like exiles from the WI* waving the slogan "Shirley Eurowitch." She entered what turned out to be the most modest of a fleet of chauffeur-driven limousines she was to use throughout the day.

At Heathrow she came briefly into contact with the real world. "Oh, her hair is quite tidy," said one apparently disappointed bystander. On the plane the search for splits continued in an airborne Press conference. Gameramen climbed over innocent shuttle passengers.

THE LEX COLUMN

The recession hits Lucas hard

The renewed burst of strength in equities yesterday took the F.T.-Actuaries All-Share Index to within 1½ per cent of last November's all-time peak, while the chartists were buzzing over the strength of the 30-Share Index's latest push through the 500 level. A number of the industrial sectors are now taking up the running from last year's fading leaders like oils and merchant banks, *but there is still little tangible* basis for such firmness. Yesterday, for instance, Imperial Group was foreshadowing yet another lacklustre year with the market now talking about a fall in first-half pre-tax profits from £68½m to £50m. But with Wall Street strong and more than a touch of spring in the air it was no time to be worrying about that.

Index rose 11.5 to 518.9

Lucas Industries

The half-time results from Lucas illustrate the way that in its current mood, the stock market will shrug aside almost any company setback so long as there is some kind of hope that recovery is on the way. The loss of £27.5m pre-tax is much worse than any of the analysts have been talking about, and indeed in its central activities in UK vehicle components Lucas appears to have suffered a deficit of more like *£40m. A loss* appears inevitable for the full year. But the group sugared the pill with talk of a better second half and it maintained the interim dividend, measures which were enough to leave the share price actually 2p higher on the day at 175p.

At least the aerospace side is showing its paces well, with sales up 60 per cent. Profits here have jumped by more than £5m to £6.9m, much of this representing recovery from industrial disputes in the comparable period. The overseas businesses have become drawn into the problems of declining demand, however, and in sterling terms *their contribution has tumbled* by more than half to £6.25m. But this is only a pale setback compared with the UK motor components disaster area where first half volume collapsed by nearly a third—a reversal clearly not properly foreseen by Lucas. Inevitably, another round of cutbacks and redundancies is on the way, costing perhaps £12m before tax in the current half-year against £7.2m in the August-January period.

Still, Lucas can see its way to a small overall second half profit. Benefits from earlier cutbacks are starting to come through, and the group has got its own stocks back under control after last summer's overshoot so that it can confidently project higher factory loadings. But it is only budgeting for slightly higher external demand, and some areas like commercial vehicles are still causing serious concern.

In deferring the decision on *the full year's dividend total,* Lucas may not be just protecting shareholders, who include its own pension funds (lucky owners of 18 per cent of the group's equity). It may also be living in hope that by next autumn it will be able to project a sharp profits recovery in 1981-82. The historical yield is 8.1 per cent.

Kleinwort Benson

The impact of the bullion bonanza in the early months of 1980 shows clearly in the annual figures from Kleinwort Benson, which are up from £12.1m to £19m after tax and transfers to secret reserves. Its bullion dealing subsidiary is Sharps Pixley, one of the largest in the market, and its "exceptionally large profits" make up a substantial part of the £16.2m after tax disclosed by the banking side.

The rest of the banking business may not have been too exciting. The balance sheet total has risen by 29 per cent to over £3bn, but most of the extra deposits have gone into highly liquid investments like loans to local authorities and other banks, where the margins must be slim.

At this stage, the group seems unlikely to maintain profits in the current year, unless the bullion market goes wild again. However the dividend has gone up by nearly two fifths, and is still covered four times by disclosed earnings: the yield at 284p is 4.6 per cent. Moreover, the merchant banking sector as a whole does seem to be capitalising on what Morgan Grenfell described the other day as the unparalled opportunity provided by the abolition of exchange controls and the strength of sterling.

Alexander Howden

Alexander Howden's pre-tax profits have slipped back marginally to £20m, a performance that slots midway between that of the other two major insurance brokers that have reported so far, Willis Faber and Sedgwick. AH's expenses have been the most tightly controlled, with an increase of 11 per cent. But while the company seems to have seen a healthy rise in new business written, this benefit has been eroded by the lower level of premium rates on renewals.

In the current year premium rates remain unfavourable, while falling interest rates will put the level of investment income—up 17 per cent last year—under pressure. Against this there should be some improvement in Australia and the U.S. So profits may emerge at much the same level yet again. But given the structure of advance corporation tax, the growth of dividends will depend more on the UK performance than the overall one. The shares, up 3p yesterday at 118p, produce a yield well above the average for the sector, approaching 9 per cent.

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